IMPLEMENTATION OF FINANCIAL POLICIES IN MULTINATIONAL CORPORATIONS IN KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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IMPLEMENTATION OF FINANCIAL POLICIES IN MULTINATIONAL CORPORATIONS IN KENYA

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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters of Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY
AFRICA

SUMMER 2016
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University – Nairobi, Kenya.

Signed: ______________________  Date: ______________________

Michael Ngari (ID 645121)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ______________________  Date: ______________________

Dr. Amos G. Njuguna

Signed: ______________________  Date: ______________________

Dean, Chandaria School of Business
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ABSTRACT

Corporations are going transnational and as they do so, they need to set a number of policies to allow them to maintain a level of control over their subsidiaries. Multinational Corporations (MNCs) often utilize financial policies to safeguard their assets and to maximize their financial performance.

The purpose of this study was to gather insights on the implementation of financial policies in MNCs. The study addressed three research objectives namely; financial policies that MNCs in Kenya practice, the challenges that MNCs in Kenya face in the implementation of financial policies and the solutions to the challenges that MNCs in Kenya face in the implementation of financial policies.

The research design was descriptive in nature. The sample was selected from a list of employees of four MNCs in Kenya. These employees either worked in the finance departments or were responsible for the management of operating expense budgets in their organizations. A sample of 42 employees was targeted to represent the population of interest. A questionnaire was used as the primary data collection tool. It was distributed to the respondents both physically and in electronic form through email or through Google Forms. The data gathered was edited and transformed into a quantitative form through coding. It was then entered into Microsoft Excel workbook and into IBM Statistical Package for the Social Science (SPSS). Univariate analysis like frequency distribution was adopted in the study. The analyzed data was presented inform of tables. Statistical inferences were drawn by the use of correlation analysis.

The findings of the study showed that MNCs in Kenya maintain a number of financial policies including: policies on inventory management, polices on accounts payables and accruals, policies on debtors and other trade receivables and policies on cash holding and cash usage to safeguard the company assets and to maximize financial performance. The MNCs also use policies on operating expenses, policies on fixed asset management, policies on debt and policies on revenue for the same purpose. Additionally, various other policies are used by MNCs and these include document retention, approval matrices and delegation of authority, budgeting, forecasting & planning, policies on conflict of interest, employee compensation and rewards policies, capitalization policies, transfer pricing policies, taxation policies, policies on investments, reconciliation policies, accounting and
reporting policies, procurement policies, employee expense claims, policies on bank accounts, risk policies and supplier management policies.

The research also determined that customer or consumer perception of the brand, restrictive regulation, stifled financial performance and local laws and legislation that differ with the financial policies are challenges that MNCs in Kenya face in the implementation of financial policies. The study also established that resistance in implementation in the subsidiaries and supplier unwillingness to provide goods or services are also challenges faced. Other challenges are corruption in Kenya, MNCs decisions to implement policies that are not relevant to Kenya, competition in Kenya, the political climate in the country and conflict between the MNC and auditors with regards to the policies that the MNCs practice.

Lastly, the research determined that engaging regulators on restrictive regulation is a solution that MNCs in Kenya use. The MNCs also exercise the option of localizing financial policies. It also emerged that MNC Headquarters (HQs) should also allow for flexibility in the application of policies in their subsidiaries and that MNCs should use attractive supplier contract terms to encourage suppliers to work with the MNCs and that MNCs should use reprimands and penalties to enforce policies if need be. Other solutions proposed included rewards for compliance, training and education in subsidiaries on the financial policies, auditing the implementation of policies, benchmarking and use of best practice and maintenance of detailed documentation on the policies.

The study recommends that MNCs with operations in Kenya or those intending to set-up in Kenya review these policies and determine their applicability. The MNCs should also aim to understand the challenges in the implementation of financial policies and the possible solutions to these challenges. In terms of the study itself, the study can be replicated for a larger number of respondents and MNCs in Kenya and even in other countries across the world. The study could also be targeted towards executive managers as they are responsible for coming up with financial strategy and seeing through its implementation.
ACKNOWLEDGEMENT

I wish to extend my deep felt gratitude to all the people who have offered their support and assistance. In particular, I thank my project supervisor, Dr. Amos Njuguna, for offering a lot of guidance and assistance in coming up with this research project report. Gratitude also to my family for their understanding and support during the many hours I was doing the project. I cannot forget also to acknowledge the reference of other writers for their work which have assisted me in coming up with the research project report. I must also thank all the respondents who participated in the survey as without their input, the research may possible have been one-sided. Lastly, I would like to thank the Almighty God for providing the resources and energy to make this research project report become a reality.
DEDICATION

This study is dedicated to my parents; Patricia Ngari and Bernard Ngari and to my brothers; Murimi Ngari and Maina Ngari. This would not have been possible without your support and encouragement.
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>HQ / HQs</td>
<td>Headquarters</td>
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<td>IAS</td>
<td>International Accounting Standard</td>
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<td>MNC</td>
<td>Multinational Corporation</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<td>SME</td>
<td>Small and Medium-sized Enterprises</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Harrod (1998) stated that if the definition of a multinational corporation (MNC) is taken to mean any corporation with a subsidiary abroad, then in 1998 there were 60,000 such companies owning 500,000 affiliates. The author further noted that the sales of these MNCs made up at least 40% of total world production and involved approximately 100 million employees. Harrod concluded that a MNC is more than just an entity that sells a company’s products but it is a vehicle for global investment. Conclusively, Harrod defines MNCs as privately owned organizations which have production, whether goods or services, and the generation of financial surpluses, as objectives, and which own assets used for such production in more than one national unit in a global complex of nation-states.

Kogut and Zander (1993) stated that MNCs arise not out of failure of markets for the buying and selling of knowledge, but out of the superior efficiency as an organizational vehicle by which to transfer knowledge across borders. Baltes (2001) traces the history of MNC to when frontiers were drawn in ancient Greece. The author stated that MNCs’ history is tied closely to the origins of trade in and between cultural communities, and these communities remain important in many sectors in the modern economy. Traders would travel long distances and undergo unusual risks in the hope of making profits. With time, the trading evolved to cover the Mintzberg model of agent-principal where agents would take goods on behalf of the owners to go trade in far away lands. However, agents would often disappear with the goods. One way to deal with this challenge was the company, a word whose roots come from Latin meaning ‘with bread’ which implies the familial origins of this business organization. Banking systems and bond markets eventually came up which supported the desire to invest in foreign countries for the purpose of trade.

A different view on the origins of MNCs was given by Gooderham and Nordhaug (2003) where they agree with Dunning (1988) that MNCs were born through a combination of two main factors: the uneven geographical distribution of factor endowments and market failure. Some firms had assets that were superior to the assets of those in other countries.
These firms took advantage of this superiority by transferring these assets across national boundaries within their own organizations, rather than by selling their right of use to foreign-based enterprises.

Aggarwal, Berrill, Hutson, and Kearney (2011) however offered an alternative to the definition of a MNC. They stated that international business scholars should instead agree on a classification system for the degree of firm-level multi-nationality. They offered the approach of categorizing MNCs based on their breadth as the extent of geographic spread using four broad categories: domestic, regional, trans-regional and global. They also categorized MNCs by depth, that is, the depth of market engagement on the basis of the commitments and contractual arrangements that firms engage in, and the resulting levels of control they obtain together with the risks they face. Depth ranges from the ‘shallow’ engagement with international markets associated with exports and imports, to licensing and franchising, operating foreign offices, forming alliances and joint ventures, through to the commitment of FDI – which generally involves a deeper engagement with foreign markets and higher exposures to foreign business, economic and political risks than say exporting or licensing.

Gooderham and Nordhaug (2003) listed one of the benefits of becoming an MNC as the fact that the value-chain can be spread over multiple regions. Additionally, the size of an MNC provides it with the ability to achieve economies of scale especially in manufacturing and product development. New ideas and opportunities are also created due to the global footprint. Lastly, the same global footprint can be used to negotiate with governments that are opposed to foreign investment and expatriates.

There are other benefits of forming MNCs; Martin and Salomon (2003) in an analysis of entry strategies for MNCs concluded that part of the reasons why MNCs are formed emerges from the fact that there are intangible knowledge-based assets that corporations possess. As a result, a MNC becomes an avenue to transfer such assets in order to achieve successful international expansion. When the assets are deployed abroad, the strength of these assets enables firms to compete with foreign rivals.

While there are many arguments for the formation of MNCs, there are arguments against them too. Pereza, Brada and Drabek (2012) put forth the case that FDI facilitates money
laundering and illegal capital flight. As a result, MNCs often form subsidiaries in host countries that are considered to be money-laundering centers.

Aggarwal et al (2011) put forward various entry strategy alternatives for MNCS. These strategies can generally be separated into two categories: non-equity modes and equity modes. Non-equity modes include exporting, franchising, licensing, contract manufacturing and service provision. Equity modes include international joint ventures and fully owned subsidiaries.

Host countries interests in MNCs are based on the consideration of the MNCs ability to offer employment and tax revenues, share in foreign trade or replacement imports and contribute to domestic economic growth (Nygaard & Dahlstrom, 1992). One key consideration for MNCs is the global business strategies. These entail the processes, practices, systems and structures developed to implement the strategies. However, developing strategies can be difficult considering the balance between the desires to adapt to the needs of the host country while trying to maintain the controlled corporate structure worldwide.

However, Gooderham and Nordhaug (2003) also note that MNCs are often bureaucratic and slow. Questions have been raised about MNCs ‘playing away from home’ both in national and cultural terms (Hymer, 1970). He believed that domestic companies have ‘the general advantage of better information about their country: its economy, its language, its laws and its politics. This opinion is supported by Pudelko and Harzing (2007) who state that subsidiaries often opt to follow a localized strategy, policies and practices. This goes to show that the subsidiary may have better local knowledge of the structures that should be put in place towards achieving the targeted performance.

In Kenya, the Centum Investment Company Limited (2015) Annual Report for the year ended 31 March 2014 showed that the company has in its corporate strategy for the years 2014 to 2019 a strategic pillar on costs. The pillar outlines that the company should aim to maintain its total costs below 2% of its total assets. Centum Investment is a company listed on the Nairobi Securities Exchange and is also a MNC with operations in Kenya and Uganda. A study conducted by Gartner Inc. (2013) revealed that the companies surveyed in the US based study spend 10.4% of their annual revenues on marketing activities. Brady (2014) in an article on marketing spends by various companies noted
that some companies like Marketo spend as much as 66% of their revenues on sales and marketing. Brady also notes in the same article that there is no one-size fits all policy on marketing spends since different companies spend different percentages of their revenue. An example given is that of Apple Inc. that only spends 7%. But how do companies like Centum, Marketo or Apple come up with policies that costs should be at a certain level of total assets or revenues? Should they increase or decrease spends with an aim to improve their financial performance? In a MNC, such a decision is limited by the policy as set out by the parent company or the HQ.

This highlights the problem that this research sought to answer. MNCs both in the parent company as well as in the subsidiaries often adopt or come up with various financial policies. What are sort of policies do they set? What are the challenges that they face in the implementation of such policies? What can be done to enhance the application of such financial policies in MNCs?

1.2 Statement of the Problem

Budd (2001) stated that organizations need financial policies and procedures to safeguard their financial assets. He goes on to detail various policies and procedures including signing authority, regular reporting, annual budgets and spending limits, policies around cash transactions, policies around cheques, policies around credit and debit cards, committee or division bank accounts, independent financial reviews and retention of records. He argues that while coming up with such policies may be tedious and time consuming; such policies can act as a form of insurance for the organization.

As Hymer (1970) stated, domestic companies may have better knowledge of their own countries. Yet MNCs often chose to maintain standard policies across their subsidiaries. Understandably, this is for the MNC to maintain a level of control and uniformity in its different operations. However, such standardization can also be a barrier to operational excellence as the subsidiary may be limited by the policy. Is this really a problem? So what then are the possible solutions to this problem?

Meyer, Mudambi and Narula (2011) noted that the competitive advantages of a subsidiary are not necessarily a subset of those of its parent. Hence in such a case, applying a standard of excellence across all subsidiaries may not be beneficial to all of them. Similarly, the strengths of a subsidiary may not be matched to those of the parent. As
such, a particular subsidiary may require different policy framework to enable it to prosper.

What this goes to show is that while MNC HQs can come up with policies for their subsidiaries but there may be issues in implementing them due to the unique nature of each host nation or each subsidiary. As such it becomes necessary to look at the types of policies, possible challenges in implementing them and ways in which the parent companies can manage such challenges.

Various studies have been carried out on MNCs with regard to policy. Klassen and Laplante (2012) studied the use of financial policy to shift incomes with the aim of tax avoidance and to reduce exposure to increased regulatory costs. This study was focused on US based MNCs and it indeed emerged that the sampled MNCs were indeed actively shifting their tax residency away from the US due to the high tax burden of being based in the US. Park, Suh and Yeung (2013) compared leverage policies of MNCs in comparison to those of domestic corporations. Their study, also focused on US firms, revealed that MNCs do not have significantly higher debt levels than domestic corporations pointing to some element of standardization in policy in the MNCs based on the structure of the parent company. Haufler and Runkel (2012) studied how MNCs create their financial structures depending on the thin-capitalization (use of more debt than equity in capital structure) rules in the target host countries. Closer home Mugeni (2013) in a study of MNCs based in Kenya looked at the reasons why MNCs select Kenya as a their Africa Regional HQs.

All the above studies focus on MNCs and their financial policies. The studies look at how MNCs come up with various financial policies and/or why they do this and the effect it has on the corporation. However, this study was different because it focused on the implementation of the policies themselves once the MNCs has already determined them based on whichever criteria they used. The study sought to identify various financial policies that MNCs in Kenya practice. It then went on to detail the challenges faced in the implementation of the said financial policies in Kenyan MNCs and it also documented the solutions to the various challenges faced in the implementation of the financial policies in MNCs in Kenya.
1.3 Purpose of the Study
The purpose of this study was to gather insights on the implementation of financial policies in MNCs in Kenya with the aim of maximizing their financial performance.

1.4 Research Questions
1.4.1 What financial policies do MNCs operating in Kenya maintain?
1.4.2 What challenges do MNCs in Kenya face in the implementation of financial policies?
1.4.3 What are the solutions to the challenges that MNCs in Kenya face in the implementation of financial policies?

1.5 Importance of the Study
This study aimed to gather insights that can be used by various categories of users namely:

1.5.1 Multinational Corporations
This study detailed examples of financial policies that are practiced by MNCs in Kenya. It also highlighted the challenges faced in the implementation of such policies and it also proposed possible solutions to those challenges. This can be useful for MNCs with intentions of setting up operations in Kenya or for MNCs already operating in Kenya that wish to bolster or fine tune their policies. The study can also be used for other MNCs operations outside of Kenya where applicable.

1.5.2 Management
This study provides further insights on the policy setting and adjustments necessary for top, middle and first-line level managers. Pearce and Robinson (2008) note that top level managers in an organization are generally responsible for setting strategy for a company. As such, this study is useful to determine the strategy / financial policies a company may choose to set as part of their strategic pillars or strategic targets. Middle and first-line level managers are responsible for implementing such strategies and thus this study may be important to them on the practicality of the existing policy and the amendments that can be proposed to top level management to amend the targets in the strategy.
1.5.3 Researchers and Academicians
Researchers and scholars stand to benefit from the study because they may use it for future reference and learning material when researching on related topics. The scope of this research is limited to four companies based in Kenya. The research can be further expanded to various MNCs across Kenya, Africa and the world. For academicians, these research findings make a contribution towards understanding the financial policies, challenges in their implementation and solutions to the challenges.

1.6 Scope of the Study
This study was focused on four MNCs in Kenya. The study did not focus on the company’s policies but rather on the insights some of its employees can give on the policy framework, the challenges that are faced in executing the framework and any suggested amendments or modifications that can be done to the policy framework as solutions to implementation. The study focused on the employees who worked in finance or employees who were directly responsible for tracking the company expenses on a monthly basis. While there are numerous MNCs with subsidiaries or head offices in Nairobi, time constraints did not allow for all of them to be contacted. The research was carried out over a 2 month period from May 2016 to June 2016.

Another limitation in this study was the fact that companies or employees may not have been willing to divulge the details of their policies hence the research could not focus on the policies themselves. As such, focus was on the nature of policies, challenges in their implementation and solutions to such challenges.

1.7 Definition of Terms

1.7.1 Financial performance
Financial performance is a measure of the effectiveness of the use of assets to generate revenues. It also refers to a firm's overall financial health over a given period of time (Katchova & Enlow, 2013).

1.7.2 Financial Surpluses
Financial surpluses are the excess profits generated after the expenses have been netted off from the expenditures (Harvey, 2012).
1.7.3 Host Nation / Country
A host nation / country is defined as the country outside a MNC’s national borders where the MNC choses to invest (Blomstrom, Kokko, & Zejan, 1994).

1.7.4 Multinational Corporation / Enterprise
Forrow (1972) gave one of the earliest definitions of a MNC as a corporations holding substantial foreign investment but with a predominant home base; or a corporation with sales abroad about equal to domestic sales; or a corporation that has lost identity through wide international ownership.

1.7.5 Operating Expenses
International Accounting Standard 1 (2007) on Presentation of Financial Statements defines operating expenses as primary recurring costs associated with central operations, other than cost of goods sold, which are incurred to generate sales. Operating expenses include distribution costs (or selling expenses) and general and administrative expenses.

1.7.6 Revenue
IAS 18 - Revenue (Greuning & Koen, 2001) defines revenues as the gross inflow of economic benefits (cash, receivables, other assets) arising from the ordinary operating activities of an entity (such as sales of goods, sales of services, interest, royalties, and dividends.

1.7.7 Subsidiary
A company is a subsidiary of another company if the second company (the parent) owns more than 50 per cent of the ordinary share capital of the first company or otherwise has voting control over it (Stewart, 2001).

1.8 Chapter Summary
In summary, this research focused on the implementation of financial policies in Multinational Corporations in Kenya. It looked at the policies themselves, the challenges faced in the implementation of the said policies and the solutions towards implementing the policies. This research also went on to detail the relevant literature available on this subject and outline the possible manner in which the research was conducted based on past studies that have been conducted.

In the next chapter, this paper analyzed available literature on the implementation of financial policies focusing on each of the three research questions. Chapter Three then
explained the methodology that was followed during this study including the research design, the research population and the data collection method. Chapter Four focuses on analyzing of the research findings and presenting the results and findings. Chapter Five provides a discussion of the findings of the study, the conclusions derived from the findings, the recommendations for improvement and recommendations for further research.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter reviews the previous studies and publications on MNCs’ financial policies. It also looked at the possible challenges in the implementation of such policies as documented by others and lastly, it looked at the possible solutions to the challenges in the implementation of financial policies. The review was based on the research questions listed in Chapter One.

2.2 Financial Policies that MNCs in Kenya practice

2.2.1 Revenue Policies
The Institute for Local Government (CA-ILG, 2013) states that revenue policies help decision-makers understand and manage revenue flows. Revenue policies are necessary to ensure effective control over revenue. They are also important as they detail the accounting for revenue to protect revenue streams, safeguard against risks of financial loss, and properly recognize revenue. Revenue policies include the measurement of revenue, recognition of revenue and sources of revenue. Measurement of revenue refers to the manner in which a company determines the value of revenue received. IAS 18 (2011) prescribes that a company should measure revenue at the fair value of the consideration received or receivable. However, there are possible exceptions to this which are determined by the financial policy as set out by the company. Revenue recognition determines when income is reported as revenue. Firms often use this window between the earning of the income and reporting the income as revenue to manage their overall earnings. This use of financial policy, studied by Caylor (2010) revealed that management of MNCs often use accrued revenues and deferred revenues to reduce or eliminate negative earnings surprises. Foreign expansion is a strategy that MNCs use to diversify their sources of income (Madura, 2011). This revenue related motive can be based in the desire to attract new sources of demand, enter profitable markets, exploit monopolistic advantages, to react to trade restrictions or to diversify internationally. However, prior to expanding, it is necessary for the MNC to outline the limits within which revenues can be sought. This can be effected through licences or franchising contracts. Such limits are determined by the parent MNCs policies on sources of revenue.
2.2.2 Policies on Operating Expenses
MNCs often have policies on operating expenses and therefore it is important to document the types of common operating expenses on record and the policies around such expenses. IAS 1 on Presentation of Financial Statements (Greuning & Koen, 2001) gives an example of 3 general categories of expenses: distribution (selling) costs, administrative expenses and other expenses. Flood (2015) lists further details on the 2 main categories starting with distribution costs (or selling expenses). Distribution costs are those expenses related directly to the company’s efforts to generate sales, for example, sales salaries, commissions, advertising, delivery expenses, depreciation of store furniture and equipment, and store supplies. The second category is general and administrative expenses. General and administrative expenses are expenses related to the general administration of the company’s operations, for example, officers and office salaries, office supplies, depreciation of office furniture and fixtures, telephone, postage, accounting and legal services, and business licenses and fees. Flood (2015) also notes that other expenses are those expenses that arise from operations not central to the company. Operating expenses include both fixed costs and variable costs. Fixed costs, such as overheads, remain the same regardless of the number of products produced. Variable costs, such as materials, can vary according to how many products are produced (Drury, 2011).

MNCs’ policies on operating expenses are dependent on the type of the MNC that it is. As noted in Chapter One, there are various entry alternatives that can generally be separated into two categories: non-equity modes and equity modes. Equity modes are more capital intensive (Gooderham and Nordhaug, 2003). Policies on cost of capital, that is, policies on debt and policies on equity financing for a MNC, which form part of the MNC’s operating expenses, are dependent on the size of the firm, its access to international capital markets, international diversification, exposure to exchange rate risk and exposure to country risk (Madura, 2011). Policies on operating expenses are also dependent on the nature of the business, that is, the industry in which the business operates and whether it is in a service industry or a manufacturing industry (Dye, 2015).

2.2.3 Policies on Cash
Al-Najjar (2013) conducted a study to determine the reasons why MNCs hold cash. Their study revealed that capital structure, dividend policy and firm size are important factors in
determining policies on cash holding. Capital structure and dividend policy are often dictated by the parent company subject to the limitations of local laws and legislation on the sources of financing and the payment of dividends.

A study by Graham and Harvey (2001) revealed that top managers value financial flexibility when making important corporate decisions. One way for constrained firms to achieve this flexibility is to alter their current financial policies to meet future investment needs. This therefore means the MNC may maintain a bias to retaining cash or a reduction in sales on credit with the aim of maximizing cash holding.

Policies on cash are also strategic tools used by MNCs that have the intention of expanding further, buying out other companies or in anticipation of a future event. Apple Inc. as noted by Monica (2015) was holding $203 billion in cash as at the end of June 2015. The writer hypothesized that Apple’s preservation of cash is as a result of its intention to take on massive acquisitions or to pay off taxes that will be levied should the cash be moved from offshore locations to the US.

2.2.4 Debt Management Policies
Madura (2011) identifies three sources of long-term debt financing for MNCs. These are: Domestic Bond Offerings whereby a bond is floated in the home or host country and is local currency denominated. The second source is a Global Bond Offering, with the help of an investment bank, in which they simultaneously sell bonds denominated in the currencies of multiple countries. The third option is to arrange a Private Placement of Equity offered to financial institutions or investors in the home country or in the foreign country (host country) where they have a subsidiary or an operation.

Park, Suh and Yeung (2013) compared leverage policies of MNCs in comparison to those of domestic corporations. Their study, also focused on US firms, revealed that MNCs do not have significantly higher debt levels than domestic corporations pointing to some element of standardization in policy in the MNCs based on the structure of the parent company. Chowdhry and Coval (1998) noted that subsidiaries of MNCs rely heavily of funds from their parent companies. The decision on how or where to source for funds is based on the financial policies as dictated by the parent company. However, this decision may also be determined or restricted by the local country regulations.
Debt management also entails the element of short-term financing where cash flows generated from within the company are insufficient to meet all short-term obligations (Madura, 2011) (Chowdhry & Coval, 1998). As such, the MNC may either source for the funds from Internal Short-Term Financing (from the parent company or other subsidiaries) or External Short-Term Financing through Short-Term Notes, Commercial Paper and Bank Loans and Overdrafts (Madura, 2011).

2.2.5 Fixed Asset Management Policies

Campbell, Jardine, and McGlynn (2011) define asset management excellence as when the plant performs up to its design standards and equipment operates smoothly when needed. It is maintenance costs tracking on budget, with reasonable capital investment. It is high service levels and fast inventory turnover. It is motivated, competent trades. But overall, it is the balance of performance, risk and cost to achieve an optimal solution. Companies face great challenges to increase output, to reduce equipment downtime, to lower costs, and to do it all with less risk to safety and environment. It therefore becomes necessary for an organization to create an asset management framework that allows it to achieve the aforementioned objectives by managing maintenance effectively and efficiently within the unique business environment. Various structures and guidelines are required to ensure that this excellence is achieved.

2.2.6 Policies on Inventory Management

Inventory is required because of predictability or raw materials required in production, fluctuations in goods demand, unreliability or scarcity of supply, price protection (buying quantities at an appropriate time helps avoid the impact of cost inflation), quantity discounts as a result of buying in bulk and lower ordering cost (Muller, 2011).

The basic financial inventory management aim is holding inventory to minimally acceptable levels in relation to its costs. Holding inventory means using capital to finance inventory and links with inventory storage, insurance, transport, obsolescence, wasting and spoilage costs. However, maintaining low inventory can lead to other problems with regards to meeting supply demands (Michalski, 2008). Heizer and Render (2009) point out the fact that it is the job of the operations managers to establish systems for managing inventory. In MNCs, decisions on such systems will likely be advised by the parent company.
2.2.7 Policies on Payables and Accruals
Collin (2009) defines accounts payable (payables) as money owed by a company. He also defines accrual as the act of noting financial transactions when they take place, and not when payment is made. Accrued liabilities (accruals) are liabilities which are recorded in an accounting period, although payment has not yet been made. Examples include liabilities such as rent and electricity.

According to a paper on the management of accounts payable by Deloitte (Bryk, Lee, Thibault, & Stewien, 2016) accounts payable management involves various processes including the vendor selection process, supplier master data set-up process, contractual review process, procurement process, invoicing process and the accounting and reporting process. Management of accrued expenses involves policies around the valuation of the goods or services received but that not have not been for invoiced by suppliers.

2.2.8 Policies on Debtors and Other Receivables
Trade Receivables arise when a business makes sales or provides services on credit. The total value of trade receivables for a business at any one time represents the amount of sales which have not yet been paid for by customers (Association of Chartered Certified Accountants, 2010).

Mian and Smith (1992) stated that firms often sell their goods on credit which generates trade receivables. But it is also necessary to understand the organizational and financial structures that companies use to manage accounts receivable. Examples of financial policies around trade receivables included the setting up of a captive finance subsidiary, the issue of accounts receivable secured debt, the factor, the contracting of a credit-reporting firm, the retention of a credit-control agency and the purchase of a credit-insurance policy.

2.3 Challenges that MNCs in Kenya face in the Implementation of Financial Policies

2.3.1 Stifled Financial Performance
To determine financial performance, Katchova and Enlow (2013) prescribed that one can consider either the absolute performance in terms of the scale of operation (the statement of financial position and the statement of comprehensive income items) or the relative performance in terms of financial ratios. Stifled financial performance is therefore sub-par
or restrained performance in an organization based on the key metrics such as sales or revenues and profits.

Financial policies as dictated by MNC HQs can have an effect on curtailing financial performance of the subsidiaries. For example, the Centum Investment Company Limited (2015) Annual Report for the year ended 31 March 2014 showed that the company has in its corporate strategy for the years 2014 to 2019 a strategic pillar on costs. The pillar outlines that the company should aim to maintain its total costs below 2% of its total assets. Centum Investment is a company listed on the Nairobi Securities Exchange and is also a MNC with operations in Kenya and Uganda. As a result, Centum may apply this same financial policy on cost to its operation in Uganda. However, this may not work in Uganda as it does in Kenya due to various factors such as competition and market share.

2.3.2 Resistance in Implementation in the Subsidiaries

Under the conditions of bounded rationality, headquarters are viewed as largely rational actors who have sufficient knowledge about worldwide operations. The perspective also assumes that headquarters are able to design and implement control systems abroad and their involvement in subsidiary activities generally leads to positive outcomes (Ciabuschi, Forsgren, & Martin, 2011) (Forsgren and Holm, 2010). Bounded reality proposes that top managers’ attempts to be rational are limited by uncertainty, problem complexity, limited information-processing capacity, time constraints on decision-making, and differences among members of the organization concerning goals (Ciabuschi et al., 2011).

In contrast, the ‘sheer ignorance’ perspective believes that headquarters lack the necessary knowledge to centrally manage worldwide operations, and that headquarters suffer from genuine uncertainty (Ciabuschi et al., 2011). This perspective takes into consideration the fact that firms are basically distributed knowledge systems: they are decentralized systems, lacking an overseeing “mind”. The sheer ignorance perspective also implies that the HQ not only suffers from a lack of knowledge about a specific innovation process at the subsidiary level, but also lacks a genuine possibility to assess its own level of knowledge. Therefore it is unable to make a rational decision regarding the extent of its possible intervention. If HQ decides to intervene, it may be counterproductive if based on false premises in terms of the expertise it is able to contribute. Bounded reality can therefore be a reason for a subsidiary to follow the
policies as dictated by the headquarters. Sheer ignorance can lead to resistance and autocracy where the subsidiary opts to sideline the policy.

2.3.3 Consumer Perception of the Brand
In a paper on the impact of the firm’s brand on financial policy, Larkin (2013) noted that brand is a substantial component of a firm’s total value and that a study conducted by Gerzema (2008) showed that market value of brands accounted for 30% of market capitalization of Standard and Poor’s (S&P) 500 firms, and exceeds the book value of equity of those firms. Larkin further adds that a strong brand can affect financial structure by reducing the riskiness of future cash flows and that positive perception of firms’ products reduces forward-looking volatility of cash flows, and insulates firms during periods of recession.

Larkin also concluded that if favorable brand perception secures future payoffs to bondholders, then firms should be able to borrow more. In addition, secured future cash flows, as well as easier access to the debt market, should reduce the cash level firms need to hold for precautionary reasons. As a result, a strong brand perception alleviates financial frictions and increases net debt capacity.

Based on this understanding, financial policies have the potential to create a negative perception of the brand as it is possible for a company to focus on the financial policy without considering the impact it will have on the consumers.

2.3.4 Supplier Unwillingness to Provide Goods or Services
Prajogo, Chowdhury, Yeung, and Cheng (2012) in a study on supplier management and firm’s operational performance stated that as competition intensifies in global markets, firms face more formidable challenges in improving their performance, from getting quality right to serving disparate and fluctuating markets. As such, many firms have come to realize that it is not sufficient just to focus on improving internal processes; the lesson that they learned in the previous decade through such concepts as Total Quality Management (TQM) and lean production. Competition is now viewed at the supply chain level rather than at the individual firm level.

Hoek (2013) stated that it is important for a company to come up with processes around supplier management specifically from determining the company’s needs to payment of invoices while managing contracts and suppliers. Such policies can cause suppliers to be
unnecessary to supply various goods and services. For example, suppliers may not be willing to work with companies that have payment terms that are too long as this will affect their cash flows.

### 2.3.5 Restrictive Regulation

The OECD in a guideline for Policy Framework for Effective and Efficient Financial Regulation (Organization for Economic Co-operation and Development, 2010) targeted at legislators, policy makers, regulators, supervisors, as well as relevant stakeholders, including industry and consumers, shared best practices around policy framework for effective and efficient financial regulation. It focuses on the primary role of the financial system in financial intermediation in the economy, interlinkages between the financial system and the macroeconomy and the global and integrated nature of financial and economic systems and the evolving nature of the financial system, the continued convergence of products, institutions, markets, and the growth of globally active financial conglomerates. In summary, this guideline was created to be used by governments and regulators when coming up with policies around financial regulation. The need for such a guideline emphasizes the fact that it is possible for regulation to be restrictive thereby forcing companies to have financial policies that have a negative impact on their financial performance.

Lam and Shin (2012) in a working paper for the IMF noted that the weak performance of SMEs in Japan could be related in part to the fact that the government financial policy is impediments to the growth of SMEs. They proposed the solution that to encourage the supply of risk-based capital, policies should accelerate SME restructuring, costly government support measures should be phased out, and the capital base of smaller banks be strengthened to foster consolidation. At the same time, efforts are needed to deepen capital markets to improve the availability of risk capital and address regulatory barriers to starting businesses. From this scenario, it is possible for MNCs and not just SMEs to be affected by the local legislation especially where legislation is unsupportive of a particular sector or industry.

### 2.3.6 Local Laws and Legislation That Differ With the Financial Policies

Levine and Beck (2014) in a working paper for the National Bureau of Economic Research studied why certain countries have growth-enhancing financial systems while others do not. They also sought to answer the question on why some countries have
developed the necessary investor protection laws and contract-enforcement mechanisms to support financial institutions and markets while others have not. Such laws and legislations are pertinent to the economic growth of such countries. They also went on to note countries where legal systems enforce private property rights, support private contractual arrangements, and protect the legal right of investors, savers are more willing to finance firms and financial markets flourish. However, not all countries hold such legislations. Others, for example, have property rights that favour governments, either local or national, over private institutions or individuals. As a result, it is possible for a MNC to have policies in one country that are not legal in another. As such, the MNC is forced to modify its policies which may in turn have an effect of the financial performance of the subsidiary in that particular country.

2.4 Solutions to the Challenges faced by MNCs in Kenya in the Implementation of Financial Policies

2.4.1 Localization of Policies

“In order to remain competitive in a truly globalized world, MNCs are required to integrate these opposite approaches into one overall strategy. Herein then lies the true challenge of the management of multinational corporations” (Pudelko and Harzing, 2007). The opposite approaches Pudelko and Harzing were referring to are standardization vs. localization. The authors put forward a case that certain policies should be localized towards host country practices whereas others should be standardized towards headquarters practices. They also noted that there is a third level of standardization which is standardization towards what are seen as globally accepted best practices. In this instance, the headquarters would rather not follow their own policies or those of the subsidiaries’ host country policies but would instead opt for globally accepted policies. The final level was a mixture of partial localization and partial standardization. Pudelko and Harzing also noted that Japanese and German subsidiaries in the USA were increasingly willing to adopt the practices of their home country.

In conclusion, Pudelko and Harzing (2007) noted that in order to ensure global competitiveness, companies must ensure that whatever they perceive as their core competencies will become standard practice throughout the entire organization, as these core competencies are the key to corporate success. Without possessing unique corporate competencies a company can only imitate what others already do well. In a highly
competitive global market this is an unsustainable position for long-term survival. Consequently, wherever core competencies are at stake, standardization towards headquarters practices should prevail. But the definition of what the core competencies of an organization are should be very selective (limited to the “core” of its competencies) and it would be a complete misinterpretation of this concept to assume that everything a company does or even does well belongs to its core competencies. Whenever core competencies are not involved and when in addition subsidiaries have good reason to adapt to specific local cultural and/or institutional circumstances in order to be successful in the environment they are operating in, subsidiaries should be permitted to localize their management practices. Finally, in all other cases, that is whenever corporate core competencies are not at stake or there is no real need to localize practices, MNCs should strive for standardization towards global best practices.

2.4.2 Use of Reprimands and Penalties to Enforce Policy

Wulf (2011) in her book on Ethics and Compliance Programs in MNCs stated that in recent years, many MNCs have made the news headlines due to corporate scandals including bribery, fraud, or corruption. In some cases these scandals led not only to financial and reputational losses, but to the complete destruction of the corporation involved. It can cost an organization millions of shillings and a huge loss in reputation if it is involved in illegal activities. As a result, stakeholders are demanding that organizations and governments become more active in preventing criminal conduct and corruption in MNCs. Consequently, organizations often come up with internal penalties, verbal reprimands and warnings or even go to the extent of suspension, termination and even referral to law enforcement where violations of company policies have gone to a criminal extent.

Companies often have such penalties built into their codes of ethics. The penalties include reprimands, fines, demotion, dismissal or firing, legal prosecution and other forms of internal and external penalties. Therefore, the MNCs can use the code of ethics to reign in managers or employees who do not align themselves to the financial policies as required by the HQ (Singh, Svensson, Wood, & Callaghan, 2011).

Penalties can also be incurred as a result of government or regulator action against MNCs. In the event that MNCs are penalized by the regulator, the HQs can and often do share the penalty burden with their subsidiaries. Transfer pricing can lead to penalties due
to what regulators consider to be attempts to reduce tax liability. When such penalties arise, MNCs’ HQs can take the decision to pay the penalty on the behalf of the subsidiary then to counter-penalize the subsidiary. Alternatively, when penalties are imposed due to inter-subsidiary transfers, the penalties may be shared between the affected subsidiaries. The net-effect is that the group still loses due to the penalty paid but the subsidiaries also feel the pinch as a result the counter-penalization and this reflects in their financials and overall performance (Wong, Nassiripour, Mir, & Healy, 2011).

2.4.3 Flexibility in the Application of Policy

Based on the solution alternative to localize policy, MNC subsidiaries often have leeway to come up with their own policies or to find a more suitable way of applying the policies as dictated by the HQ. These perspectives, also supported by Festing, Knappert, Dowling, and Engle (2012) and Witcher and Chau (2012), give sufficient weight to the argument that the headquarters should allow some flexibility in the policies and practices of their subsidiaries. This can either be towards a local policy or one that is the best fit for the host country or a policy that is globally accepted best practice. Festing et al. (2012) also pointed out that while MNCs often standardize their management processes, country-specific differences such as cultural and institutional factors often impede the unobstructed transfer of management processes. This therefore leads to MNCs finding a balance between globally standardized and locally adapted processes and practices.

In a paper titled “Localize or Local Lies”, Logemann and Piekkari (2015) state that MNC headquarters often exercise the power of processes and the power of meaning when they design standardized policies and shape corporate values that they impose on foreign subsidiary staff. However, foreign subsidiaries often exercise micro-political power by contesting standard policies as meted out by the HQ and opting to give them a local interpretation. Use of language becomes a determining factor as middle managers, who are used as translators, often provide the interpretation and see-through the implementation.

Thite, Wilkinson and Shah (2012) noted that in MNCs in emerging economies, the recruitment and selection process, career management and performance management were similar across the global operations but there flexibility to accommodate local laws and HR trends and practices. Though this is in relation to HR practices, the same flexibility has been seen in the application of financial policies.
2.4.4 Engaging Regulators on Restrictive Regulation

In 2007, three new labour laws were enacted in China. The process of developing the laws was turbulent to a large extent due to the active and highly visible participation of large overseas business organizations in the consultation process. During these consultation processes, it came to light that there were many contradictory interests between foreign businesses and Chinese workers’ rights. (Richet, Delteil, & Dieuaide, 2014). This is however a clear depiction of the fact that it is possible and is a viable option for MNCs to engage governments and regulators on laws that they believe are restrictive.

Lam and Shin (2012) in a working paper for the IMF noted that the weak performance of SMEs in Japan could be related in part to the fact that the government financial policy is impediments to the growth of SMEs. They proposed the solution that to encourage the supply of risk-based capital, policies should accelerate SME restructuring, costly government support measures should be phased out, and the capital base of smaller banks be strengthened to foster consolidation. This is also an example that corporations can engage regulators where they believe regulation is restrictive.

The relationships MNCs have fostered between them and governments often enables the MNCs to engage the regulators, state and federal governments and trade organizations on the need for laws and legislation where these are not available or the need for amendments to the existing laws where these are restrictive. MNCs often go about this by performing their own researches and studies or by engaging consultants to draft documentary evidence as to why regulation is required or regulation needs to be changed and the global effect such changes will have. Presenting such papers and arguments to the regulators can often be the start of the back and forth tussle between the MNCs and the regulators. However, it is not always the MNC that wins and they often have to make a decision to either comply with the regulations or lack of them or to withdraw their products or services that are in contravention with the particular laws (Stiglitz, 2007).

2.4.5 Attractive Supplier Contract Terms

A supply agreement of contract establishes the terms on which a seller will supply products to a buyer. Contract terms of such agreements are often a method used to attract and retain suppliers. As Wuyts and Geyskens (2005) pointed out, organizations are often faced with the strategic decision of drafting a detailed supply contract when they are
engaging in a new purchase transaction. They can use such a supply contract to attract potential suppliers based on various elements of the contract such as payment terms, credit facilitation (supplier credit), performance management, pricing and relationship management.

Supplier development is also another strategy objective that can be used to attract and retain suppliers. Supplier development is any activity that a buyer undertakes to improve a supplier’s performance and/or capabilities to meet the buyer’s short-term or long-term supply needs. Buying firms use a variety of activities to improve supplier performance, including assessing supplier’s operations, providing incentives to improve performance, instigating competition among suppliers, and working directly with suppliers, through either training or other activities (Rhodes, Warren, and Carter, 2009).

2.5 Chapter Summary
This chapter reviewed literature available on the implementation of financial policies in MNCs specifically looking at the financial policies that MNCs operate, the challenges faced in the implementation of such policies and the solutions towards the implementation of the policies. The next chapter describes the research methodology that was used for the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter covers the methodology and procedures that were used for collecting and analyzing the data in the study. This chapter deals with the type of research design, the population and sampling design, data collection method, and data analysis methods to be used in the study.

3.2 Research Design
A research design constitutes a blueprint for the collection, measurement and analysis of data. It aids in the allocation of limited resources by making crucial choices in terms of assessing whether the research included experiments, interviews, observations, analysis of records, simulations or a combination of any these. A research design goes on to explain the methods of data collection, the reason behind choosing either a small sample or a large sample and explains whether the analysis was primarily quantitative or qualitative (Cooper & Schindler, 2014).

The research design used for this study was descriptive. It facilitates the understanding of the characteristics associated with the subject population as described by Cooper and Schindler (2014). This research aimed to gather insights on the implementation of financial policies in MNCs in Kenya. This required detailed documentation of the respondents’ opinions, feelings and even desires on the subject.

3.3 Population and Sampling Design

3.3.1 Population
Cooper and Schindler (2014) defined population as the total collection of elements about which a researcher wishes to make some inferences. However, a population is limited to the elements that have a chance of being in the sample. The ideal population of this study would be all employees in the finance departments of all MNCs in the Kenya and all employees in MNCs in Kenya who are responsible for managing operating expenditure budgets. However, as the entire population is too large to study, the research was limited to four (4) MNCs namely Airtel Networks Kenya Limited, East African Breweries
Limited, Nairobi Bottlers Limited (Coca Cola Company Kenya) and Standard Chartered Bank Kenya.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame
Sampling frame is a list that constitutes the population. The basic idea of sampling is that by selecting some of the elements in population, one can draw conclusions about the entire population (Welman & Kruger, 2008).

The sampling frame in this study was employees in the finance departments of the four MNCs and all employees in same MNCs who are responsible for managing operating expenditure budgets. It was not possible to obtain the list prior to the commencement of the research due to confidentiality concerns in the aforementioned companies. As such, the list was based on a number of twelve employees in one MNC and ten employees per MNC from the other 3 MNCs.

3.3.2.2 Sampling Technique
The study adopted a purposive sampling method. This was to ensure that the particular respondents who were approached in the research had working knowledge of the subject matter. As Cooper and Schindler (2014) noted, purposive sampling is where respondents are picked for their unique characteristics or experiences, attitudes, or perceptions. Therefore, through the purposive method, the respondents were selected based on the fact that they either worked in the finance departments of the MNCs in consideration or that they were responsible for the management of operating expense budgets in the same MNCs.

3.3.2.3 Sample Size
A sample size is a finite part of statistical population whose properties are studied to gain information about the whole (Merriam, 2009). As the research technique was purposive sampling, the researcher targeted at least 10 respondents from each of the MNCs. However, in response to the researcher request for respondents, one of the MNCs, Airtel Networks Kenya Ltd., presented a list of 12 potential research candidates and this list was accepted. This brought the total sample size to 42 respondents, that is, 10 from East African Breweries Limited, 10 from Nairobi Bottlers Limited (Coca Cola Company

3.4 Data Collection Method
Primary data collection method was through a survey questionnaire administered to the respondents of the various MNCs in the study. The questionnaire was structured to answer the research questions as well as to get any additional insights on the subject matter from the respondents. (Cooper & Schindler, 2014).

The questionnaire was divided into two sections: Section A and Section B. Section A dealt with general information about the respondents while Section B focused on the research questions.

3.5 Research Procedures
The questionnaires designed were pre-tested in a pilot phase to ascertain the suitability of the tool before the actual administration. According to Cooper and Schindler (2014), a pilot test is conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. The pilot questionnaires were administered to 5 employees of one of the target MNCs. This acted as a pre-test questionnaire and any suggestions for improvement encountered during the piloting process were incorporated in the final questionnaire. The final questionnaires were distributed to the respondents in hard copy, via e-mail and through Google forms. This enhanced the speed of data collection. To improve the response rate, a cover letter explaining the reasons for the research, why the research was important, why the recipient was selected, and a guarantee of the respondents’ confidentiality was provided. The questionnaire had clear instructions and an attractive layout. Each complete questionnaire was treated as a unique case and a sequential number was assigned to it.

3.6 Data Analysis Method
Kothari (2004) stated that analysis of data is the process of looking for patterns of relationships that are present in a set of data. It is the process of summarizing collected data and organizing it into a way that it answers the research questions.

The study used both qualitative and quantitative analytical techniques for data analysis. The data gathered was edited and transformed into a quantitative form through coding. Editing checked the raw data for accuracy, usefulness and completeness. The tabulation
of the data involved recording of data in quantifiable terms using descriptive statistics. As the study was descriptive, it employed the use of descriptive statistics like percentages and frequency distribution in analyzing primary data. Inferential statistics were also used to determine correlations or relationships in the variables. The findings were presented mainly in tables and figures. The study relied heavily on the use of computer software to analyze and present the data. Software used was IBM Statistical Package for the Social Science (SPSS) and Microsoft Excel. The software helped in the coding of the questionnaire data, the preparation of frequency tables, the preparation of graphs and charts, the ranking of various points and the correlation analysis as presented in Chapter Four.

3.7 Chapter Summary
This chapter has outlined in detail the research design, the population and sampling design, data collection, and research procedures and data analysis. The research methodology was adopted in line with the subsections of the research questions as outlined in Chapter Two. The next chapter presents the research findings and results from the data collected.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter addresses the results and findings on the Implementation of Financial Policy in MNCs in Kenya. The findings are outlined according to the research questions of the study. The findings are based on the responses from the questionnaires filled. The specific research questions were to establish financial policies that MNCs in Kenya maintain; secondly, the challenges that MNCs face in the implementation of financial policy in Kenya; and thirdly, the solutions to the challenges faced in the implementation of financial policy by MNCs in Kenya. Out of the targeted 42 respondents, 32 responded to the questionnaires. This represented a 76 percent response rate. According to Mugenda and Mugenda (2003), a response rate of 50 percent is adequate for analysis and reporting. A rate of 60 percent is good and a response rate of 70 percent and over is excellent. Based on this assertion, the response rate was considered to be excellent.

4.2 General Information

4.2.1 Gender
The question on gender was optional too and 31 out of the 32 respondents answered it. 13 respondents were Female and 18 were Male. The findings indicate that the Males were more compared to Female respondents.

4.2.2 Years of Work Experience
The researcher sought to find out the respondents years of work experience. It was found out that 9.4% of the respondents had worked for 1 – 3 years, 31.3% had worked for 4 – 5 years, 43.8% had worked for 6 – 10 years, 9.4% had worked for 11 – 15 years and 6.3% had worked for over 15 years. The findings indicate that most of the respondents had work experience of 6 - 10 years.

4.2.3 Respondents Cross Tabulation of Gender against Work Experience
The researcher sought to perform a comparison between gender and years of work experience. The findings indicated, overall, there were more males than females who responded to the survey. Out of the males, most had 4 years of experience or more and of
the females, the majority had 6 years’ experience or more. Table 4.1 below gives a summary of the results.

**Table 4.1: Cross Tabulation of Gender against Work Experience**

<table>
<thead>
<tr>
<th>Gender</th>
<th>1 – 3 years</th>
<th>4 – 5 years</th>
<th>6 – 10 years</th>
<th>11 – 15 years</th>
<th>More than 15 years</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>3.1%</td>
<td>9.4%</td>
<td>21.9%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>40.6%</td>
</tr>
<tr>
<td>Male</td>
<td>6.3%</td>
<td>18.8%</td>
<td>21.9%</td>
<td>6.3%</td>
<td>3.1%</td>
<td>56.3%</td>
</tr>
<tr>
<td>Undisclosed</td>
<td>0.0%</td>
<td>3.1%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Years of Work Experience</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>7</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>15</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>6</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>2</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

**4.2.4 Years of Work Experience in a MNC**

The researcher also sought to find out how many years the respondents had worked for MNCs. It was found out that 21.9% of the respondents had worked for 1 – 3 years, 46.9% had worked for 4 – 5 years, 18.8% had worked for 6 – 10 years, 6.3% had worked for 11 – 15 years and 6.3% had worked for over 15 years. The findings indicate that most of the respondents had work experience of 4 – 5 years. Table 4.2 gives a summary of the results.

**Table 4.2: Years of Work Experience in an MNC**

<table>
<thead>
<tr>
<th>Years of Work with MNC</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>7</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>15</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>6</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>2</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

**4.2.5 Level within the Organization**

The study was targeted at managers responsible for managing operating expense budgets or managers in finance. However, any insight on the financial policy implementation was valued due to experience in working in MNCs. The researcher sought to determine the exact level the respondents were in the organization in terms of a 5-scale hierarchy. 0 executive managers participated in the survey. There were 7 senior managers, 14 middle managers, 7 first level supervisors and 4 employees. Figure 4.1 below graphically represents the distribution.
4.3 Financial Policies that MNCs in Kenya practice

Respondents were asked to rate how they perceived the financial policies in MNCs in Kenya. They were asked to tick the appropriate option from a five point Likert Scale: Strongly Disagree (1); Disagree (2); Neutral (3); Agree (4); and Strongly Agree (5).

4.3.1 Revenue policies

The researcher sought to determine whether revenue policies are part of the policies that MNCs practice. The findings indicate that of the 32 respondents none strongly disagreed with the statement, none disagreed, 12.5% did not give their view on the statement by ticking neutral, 28.1% agreed, and 59.4% strongly agreed with the statement.

Table 4.3 below gives a summary of the results.

4.3.2 Policies on operating expenses

The researcher sought to determine whether policies on operating expenses are part of the policies that MNCs practice. The findings indicate that of the 32 respondents none strongly disagreed with the statement, none disagreed, 6.3% did not give their view on the
statement by ticking neutral, 34.4% agreed, and 59.4% strongly agreed with the statement. Table 4.4 below gives a summary of the results.

*Table 4.3: Revenue Policies*

<table>
<thead>
<tr>
<th>Revenue policies</th>
<th>Distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
<td>12.5%</td>
</tr>
<tr>
<td>Agree</td>
<td>9</td>
<td>28.1%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>19</td>
<td>59.4%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

*Table 4.4: Policies on Operating Expenses*

<table>
<thead>
<tr>
<th>Policies on operating expenses</th>
<th>Distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Neutral</td>
<td>2</td>
<td>6.3%</td>
</tr>
<tr>
<td>Agree</td>
<td>11</td>
<td>34.4%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>19</td>
<td>59.4%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

4.3.3 Policies on cash (holding and usage)

The researcher sought to determine whether policies on cash holding and cash usage are part of the policies that MNCs practice. The findings indicate that of the 32 respondents 0.0% strongly disagreed with the statement, 0.0% disagreed, 3.1% did not give their view on the statement by ticking neutral, 34.4% agreed, and 62.5% strongly agreed with the statement. Table 4.5 below gives a summary of the results.
Table 4.5: Policies on Cash (Holding and Usage)

<table>
<thead>
<tr>
<th>Policies on cash (holding and usage)</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
</tr>
<tr>
<td>Agree</td>
<td>11</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>20</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

4.3.4 Debt policies

The researcher sought to determine whether policies on debt are part of the policies that MNCs practice. The findings indicate that of the 32 respondents 0.0% strongly disagreed with the statement, 0.0% disagreed, 12.5% did not give their view on the statement by ticking neutral, 31.3% agreed, and 56.3% strongly agreed with the statement. Table 4.6 below gives a summary of the results.

Table 4.6: Debt Policies

<table>
<thead>
<tr>
<th>Debt policies</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>18</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

4.3.5 Fixed Asset Management policies

The researcher sought to determine whether fixed asset management policies are part of the policies that MNCs practice. The findings indicate that of the 32 respondents 0.0% strongly disagreed with the statement, 3.1% disagreed, 3.1% did not give their view on the statement by ticking neutral, 46.9% agreed, and 46.9% strongly agreed with the statement. Table 4.7 below gives a summary of the results.
4.3.6 Policies on Inventory Management

The researcher sought to determine whether inventory management policies are part of the policies that MNCs practice. The findings indicate that of the 32 respondents 0.0% strongly disagreed with the statement, 3.1% disagreed, 31.3% agreed and 65.6% strongly agreed with the statement. Table 4.8 below gives a summary of the results.

Table 4.7: Fixed Asset Management Policies

<table>
<thead>
<tr>
<th>Fixed Asset Management policies</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>15</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

Table 4.8: Policies on Inventory Management

<table>
<thead>
<tr>
<th>Policies on Inventory Management</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
</tr>
<tr>
<td>Neutral</td>
<td>0</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>21</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

4.3.7 Policies on Payables and Accruals

The researcher sought to determine whether policies on payables and accruals are part of the policies that MNCs practice. The findings indicate that of the 32 respondents 0.0% strongly disagreed with the statement, 3.1% disagreed, 0.0% did not give their view on the statement by ticking neutral, 40.6% agreed, and 56.3% strongly agreed with the statement.

Table 4.9 gives a summary of the results.
4.3.8 Policies on Debtors and Other Receivables

The researcher sought to determine whether policies on payables and accruals are part of the policies that MNCs practice. The findings indicate that of the 32 respondents 0.0% strongly disagreed with the statement, 0.0% disagreed, 3.1% did not give their view on the statement by ticking neutral, 34.4% agreed, and 62.5% strongly agreed with the statement. Table 4.10 gives a summary of the results.

Table 4.10: Policies on Debtors and Other Receivables

<table>
<thead>
<tr>
<th>Policies on Debtors and Other Receivables</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
</tr>
<tr>
<td>Neutral</td>
<td>0</td>
</tr>
<tr>
<td>Agree</td>
<td>11</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>20</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

4.3.9 Other Financial Policies implemented by MNCs in Kenya

The questionnaire also afforded the respondents the opportunity to give examples of other policies that MNCs in Kenya practice. Responses to this included document retention policies, approval matrices and delegation of authority, policies on budgeting, forecasting and planning, policies in conflict of interest, employee compensation and rewards policy, capitalization policies, transfer pricing policy, taxation policies, policies on investments, reconciliation policies, assets disposal policy, accounting and reporting policy, procurement policies, policies on financing, employee expense claims, policies on bank accounts, health and safety policies, risk policy and supplier management policies.
4.3.10 Ranking of Responses to Financial Policies

Based on the responses to the financial policies, it was possible to determine a ranking of the policies. Figure 4.2 below summarizes the policies and their rankings in order of percentage who agreed.

![Figure 4.2: Ranking of Policies based on Respondents’ feedback](chart)

4.3.11 Contents and Scope of the financial policies that are implemented in MNCs in Kenya

Respondents were also given the opportunity to give insights on the contents and scope of the financial policies implemented by MNCs. Table 4.11 below lists the responses.
Table 4.11: Contents and Scope of Financial Policies Implemented by MNCs in Kenya

<table>
<thead>
<tr>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document classification, Materiality thresholds exceptional approvals.</td>
</tr>
<tr>
<td>Expenditure approval within the set hierarchy policies</td>
</tr>
<tr>
<td>Reporting and record keeping</td>
</tr>
<tr>
<td>Accounting system</td>
</tr>
<tr>
<td>Measuring the cost value</td>
</tr>
<tr>
<td>Cost Control</td>
</tr>
<tr>
<td>X days credit policy</td>
</tr>
<tr>
<td>No of days cover of inventory</td>
</tr>
<tr>
<td>Approval process and limits for different types of expenses and budget thresholds</td>
</tr>
<tr>
<td>Market Entry Strategy regarding the manner in which the MNC penetrates the market</td>
</tr>
<tr>
<td>IFRS</td>
</tr>
<tr>
<td>Authority for regular financial actions and decisions</td>
</tr>
<tr>
<td>Contents are the policy statements; for specific line items; in the organization</td>
</tr>
<tr>
<td>Financial policies are in line with guidelines of respective professional bodies and Government regulations in respective countries</td>
</tr>
</tbody>
</table>

4.3.12 Correlation of Financial Policies that MNCs in Kenya Practice

The researcher sought to determine if there exists any correlation between the various policies as detailed in the questionnaire. Based on a 90% and 95% significance level, Revenue Policies are significantly correlated with Policies on Operating Expenses and Debt Policies. Policies on operating expenses are significantly correlated with Policies on cash (holding and usage), Debt policies, Fixed Asset Management policies, Policies on Inventory Management, Policies on Payables and Accruals and Policies on Debtors and Other Receivables. Policies on cash (holding and usage) are significantly correlated with Debt policies, Fixed Asset Management policies, Policies on Inventory Management, Policies on Payables and Accruals and Policies on Debtors and Other Receivables. Debt Policies have a high correlation with Fixed Asset Management policies, Policies on Inventory Management, Policies on Payables and Accruals and Policies on Debtors and Other Receivables. Fixed Asset Management policies have a high correlation with Policies on Inventory Management, Policies on Payables and Accruals and Policies on Debtors and Other Receivables. Policies on Inventory Management have a high
correlation with Policies on Payables and Accruals and Policies on Debtors and Other Receivables. Lastly, Policies on Payables and Accruals have a high correlation with Policies on Debtors and Other Receivables. Table 4.12 below summarizes these results. Areas of correlation are indicated with one or two asterisks.

4.3.13 Cross Tabulation of Years of Work Experience in MNCs to Response to Financial Policies

The researcher also sought to determine if respondents who had worked for different numbers of years in MNCs had different opinions on the policies. For revenue policies, 18.8% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed with the fact that revenue policies exist. 40.6% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that revenue policies exist. 15.6% out of a possible 18.8% being respondents with 6-10 years’ work experience in MNCs agreed or strongly agreed with the fact that revenue policies exist. All respondents with more than 10 years’ work experience in MNCs strongly agreed with the fact that revenue policies exist. Table 4.13 below summarizes these results.
Table 4.12: Correlation of Financial Policies

<table>
<thead>
<tr>
<th></th>
<th>Revenue policies</th>
<th>Policies on operating expenses</th>
<th>Policies on cash (holding and usage)</th>
<th>Debt policies Management policies</th>
<th>Fixed Asset Management policies</th>
<th>Policies on Inventory Management</th>
<th>Policies on Payables and Accruals</th>
<th>Policies on Debtors and Other Receivables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue policies</td>
<td>.364*</td>
<td>.329</td>
<td>.530**</td>
<td>.215</td>
<td>.141</td>
<td>.100</td>
<td>.329</td>
<td>.585</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.041</td>
<td>.066</td>
<td>.002</td>
<td>.238</td>
<td>.440</td>
<td>.585</td>
<td>.002</td>
<td>.066</td>
</tr>
<tr>
<td>Policies on operating expenses</td>
<td>.640**</td>
<td>.549**</td>
<td>.633**</td>
<td>.539**</td>
<td>.579**</td>
<td>.733**</td>
<td>.538**</td>
<td>.002</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.001</td>
<td>.001</td>
<td>.001</td>
<td>.000</td>
</tr>
<tr>
<td>Policies on cash (holding and usage)</td>
<td>.001</td>
<td>.640**</td>
<td>1</td>
<td>.642**</td>
<td>.409**</td>
<td>.472**</td>
<td>.539**</td>
<td>.009</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.020</td>
<td>.000</td>
<td>.000</td>
<td>.020</td>
<td>.006</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Debt policies</td>
<td>.530**</td>
<td>.549**</td>
<td>.538**</td>
<td>1</td>
<td>.685**</td>
<td>.656**</td>
<td>.604**</td>
<td>.619**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.002</td>
<td>.001</td>
<td>.001</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Fixed Asset Management policies</td>
<td>.215</td>
<td>.633**</td>
<td>.642**</td>
<td>.685**</td>
<td>1</td>
<td>.814**</td>
<td>.714**</td>
<td>.682**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.238</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Policies on Inventory Management</td>
<td>.141</td>
<td>.539**</td>
<td>.409**</td>
<td>.656**</td>
<td>.814**</td>
<td>1</td>
<td>.758**</td>
<td>.668**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.440</td>
<td>.001</td>
<td>.020</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Policies on Payables and Accruals</td>
<td>.100</td>
<td>.579**</td>
<td>.472**</td>
<td>.604**</td>
<td>.747**</td>
<td>.758**</td>
<td>1</td>
<td>.643**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.585</td>
<td>.001</td>
<td>.006</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Policies on Debtors and Other Receivables</td>
<td>.329</td>
<td>.733**</td>
<td>.588**</td>
<td>.619**</td>
<td>.642**</td>
<td>.668**</td>
<td>.643**</td>
<td>.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.066</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).
Table 4.13: Years of Experience in MNCs against Revenue Policies Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Revenue policies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Neutral</td>
<td>Agree</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>3.1%</td>
<td>6.3%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>6.3%</td>
<td>12.5%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>3.1%</td>
<td>9.4%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>12.5%</td>
<td>28.1%</td>
</tr>
</tbody>
</table>

For policies on operating expenses, 18.8% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on operating expenses exist. 43.8% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on operating expenses exist. All respondents with 6-10 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on operating expenses exist. All respondents with more than 10 years’ work experience in MNCs strongly agreed with the fact that policies on operating expenses exist. Table 4.14 below summarizes these results.

Table 4.14: Years of Experience in MNCs against Policies on operating expenses Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Policies on operating expenses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Neutral</td>
<td>Agree</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>3.1%</td>
<td>9.4%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>3.1%</td>
<td>15.6%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>9.4%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>6.3%</td>
<td>34.4%</td>
</tr>
</tbody>
</table>

For policies on cash holding and usage, all respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on cash exist. 43.8% out of
a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on cash exist. All respondents with 6-10 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on cash exist. All respondents with more than 10 years’ work experience in MNCs strongly agreed with the fact that policies on cash exist. Table 4.15 below summarizes these results.

Table 4.15: Years of Experience in MNCs against Policies on Cash (holding and usage) Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Policies on cash (holding and usage)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Neutral</td>
<td>Agree</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>0.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>3.1%</td>
<td>15.6%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Total</td>
<td>3.1%</td>
<td>34.4%</td>
</tr>
</tbody>
</table>

For debt policies, 18.8% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed with the fact that debt policies exist. 40.6% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that debt policies exist. 15.6% out of a possible 18.8% being respondents with 6-10 years’ work experience in MNCs agreed or strongly agreed with the fact that debt policies exist. All respondents with more than 10 years’ work experience in MNCs strongly agreed with the fact that debt policies exist. Table 4.16 below summarizes these findings.
### Table 4.16: Years of Experience in MNCs against Debt Policies Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Debt policies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Neutral</td>
<td>Agree</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>3.1%</td>
<td>12.5%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>6.3%</td>
<td>12.5%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>3.1%</td>
<td>6.3%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>12.5%</td>
<td>31.3%</td>
</tr>
</tbody>
</table>

For fixed asset management policies, all respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed with the fact that fixed asset management policies exist. 40.6% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that fixed asset management policies exist. All respondents with 6-10 years’ work experience in MNCs agreed or strongly agreed with the fact that fixed asset management policies exist. All respondents with more than 10 years’ work experience in MNCs agreed or strongly agreed with the fact that fixed asset management policies exist. Table 4.17 below summarizes these results.

### Table 4.17: Years of Experience in MNCs against Fixed Asset Management Policies Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Fixed Asset Management policies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Disagree</td>
<td>Neutral</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

For Policies on Inventory Management, all respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed with the fact that Policies on Inventory Management exist. 43.8% out of a possible 46.9% being respondents with 4-5 years’ work experience
in MNCs agreed or strongly agreed with the fact that policies on Inventory Management exist. All respondents with 6-10 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on Inventory Management exist. All respondents with more than 10 years’ work experience in MNCs strongly agreed with the fact that policies on Inventory Management exist. Table 4.18 below summarizes these results.

**Table 4.18: Years of Experience in MNCs against Policies on Inventory Management**

*Cross tabulation*

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Disagree</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 3 years</td>
<td>0.0%</td>
<td>9.4%</td>
<td>12.5%</td>
<td>21.9%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>3.1%</td>
<td>12.5%</td>
<td>31.3%</td>
<td>46.9%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>9.4%</td>
<td>9.4%</td>
<td>18.8%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
<td>6.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
<td>6.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3.1%</td>
<td>31.3%</td>
<td>65.6%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

For policies on Payables and Accruals, all respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on Payables and Accruals exist. 43.8% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on Payables and Accruals exist. All respondents with more than 5 years’ work experience in MNCs strongly agreed with the fact that policies on Payables and Accruals exist. Table 4.19 below summarizes these results.
Table 4.19: Years of Experience in MNCs against Policies on Payables and Accruals

Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Policies on Payables and Accruals</th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Disagree</td>
<td>Agree</td>
<td>Strongly Agree</td>
<td></td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>0.0%</td>
<td>12.5%</td>
<td>9.4%</td>
<td>21.9%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>3.1%</td>
<td>15.6%</td>
<td>28.1%</td>
<td>46.9%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>9.4%</td>
<td>9.4%</td>
<td>18.8%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
<td>6.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Total</td>
<td>3.1%</td>
<td>40.6%</td>
<td>56.3%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

For policies on Debtors and Other Receivables, all respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on Debtors and Other Receivables exist. 43.8% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on Debtors and Other Receivables exist. All respondents with more than 5 years’ work experience in MNCs agreed or strongly agreed with the fact that policies on Debtors and Other Receivables exist. Table 4.20 below summarizes these results.

Table 4.20: Years of Experience in MNCs against Policies on Debtors and Other Receivables Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Policies on Debtors and Other Receivables</th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly Agree</td>
<td></td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>0.0%</td>
<td>12.5%</td>
<td>9.4%</td>
<td>21.9%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>3.1%</td>
<td>12.5%</td>
<td>31.3%</td>
<td>46.9%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>9.4%</td>
<td>9.4%</td>
<td>18.8%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
<td>6.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
<td>6.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Total</td>
<td>3.1%</td>
<td>34.4%</td>
<td>62.5%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
4.4 Challenges that MNCs in Kenya Face in the Implementation of Financial Policies

Respondents were asked to rate the challenges that MNCs in Kenya face in the implementation of financial policies. They were asked to tick the appropriate option from a five point Likert Scale: Strongly Disagree (1); Disagree (2); Neutral (3); Agree (4); and Strongly Agree (5).

4.4.1 Stifled Financial Performance

Stifled financial performance was presented as one of the possible challenges in the implementation of financial policies. The findings indicate that of the 32 respondents 3.1% strongly disagreed with the statement, 21.9% disagreed, 9.4% did not give their view on the statement by ticking neutral, 53.1% agreed, and 12.5% strongly agreed with the statement. Table 4.21 below gives a summary of the results:

<table>
<thead>
<tr>
<th>Stifled financial performance</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
</tr>
<tr>
<td>Disagree</td>
<td>7</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
</tr>
<tr>
<td>Agree</td>
<td>17</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

4.4.2 Resistance to Implementation in the Subsidiaries

The researcher sought to determine whether resistance to implementation in subsidiaries is considered as one of the challenges faced in the implementation of financial policies. The findings indicate that of the 32 respondents 3.13% strongly disagreed with the statement, 25.99% disagreed, 12.50% did not give their view on the statement by ticking neutral, 37.50% agreed, and 21.88% strongly agreed with the statement. Table 4.22 below gives a summary of the results:
Table 4.22: Resistance in the Implementation

<table>
<thead>
<tr>
<th>Resistance in implementation in the subsidiaries</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
</tr>
<tr>
<td>Disagree</td>
<td>8</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
</tr>
<tr>
<td>Agree</td>
<td>12</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>7</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

4.4.3 Customer or Consumer Perception of the Brand

The researcher sought to determine whether customer or consumer perception of the brand is a challenge during the implementation of financial policies. The findings indicate that of the 32 respondents 0.0% strongly disagreed with the statement, 9.4% disagreed, 12.5% did not give their view on the statement by ticking neutral, 50.0% agreed, and 28.1% strongly agreed with the statement. Table 4.23 below gives a summary of the results.

Table 4.23: Customer Perception of the Brand

<table>
<thead>
<tr>
<th>Customer/Consumer perception of the Brand</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
</tr>
<tr>
<td>Agree</td>
<td>16</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

4.4.4 Supplier Unwillingness to Provide Goods or Services

Suppliers may not be willing to trade with a MNC based on the financial policies that the MNCs implements. The researcher put this question to the respondents and based on their responses, 6.3% strongly disagreed with this, 31.3% disagreed, 9.4% were neutral, 40.6% agreed and 12.5% strongly agreed. Table 4.24 below summarizes these results.
Table 4.24: Supplier Unwillingness to Provide Goods or Services

<table>
<thead>
<tr>
<th>Supplier unwillingness to provide goods/services</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>2</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
</tr>
<tr>
<td>Agree</td>
<td>13</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

4.4.5 Restrictive Regulation

The researcher also sought to determine whether restrictive regulation is a factor that affects the implementation of financial policy in MNCs. 3.1% of the respondents strongly disagreed with this statement, 9.4% disagreed, 9.4% had no opinion on this, 46.9% agreed and 31.3% strongly agreed. Table 4.25 summarizes the results below:

Table 4.25: Restrictive Regulation

<table>
<thead>
<tr>
<th>Restrictive regulation</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
</tr>
<tr>
<td>Agree</td>
<td>15</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>10</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

4.4.6 Local Laws and Legislation That Differ With the Financial Policies

The final challenge that was put to the respondents was that of local laws and legislation differing with financial policies in MNCs. 3.1% of the respondents strongly disagreed with this statement, 28.1% disagreed, 3.1% gave a neutral opinion, 40.6% agreed, and 25.0% strongly agreed. Table 4.26 below summarizes the responses.
Table 4.26: Local Laws and Legislation That Differ With Policies

<table>
<thead>
<tr>
<th>Local Laws and Legislation that differ with the financial policies</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
</tr>
<tr>
<td>Disagree</td>
<td>9</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
</tr>
<tr>
<td>Agree</td>
<td>13</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

4.4.7 Ranking of Responses to the Challenges in the Implementation of Financial Policy

Based on the responses to the challenges faced in the implementation of financial policies, it was possible to determine a ranking of the policies. Figure 4.3 summarizes the challenges and their rankings in order of percentage of respondents who agreed that they exist.

Figure 4.3: Ranking of Challenges based on Respondents’ feedback

4.4.8 Other Challenges Faced By MNCs in the Implementation of Financial Policies

The respondents were also given the opportunity to list any other challenges that they believe MNCs face in the implementation of financial policies. Table 4.27 below lists the responses given by the respondents.
### Table 4.27: Other Challenges in Implementation

<table>
<thead>
<tr>
<th>Other challenges that MNCs in Kenya face in the implementation of financial policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hefty monitoring and audit expenses, rigid implementation.</td>
</tr>
<tr>
<td>Investor perception impacting share prices</td>
</tr>
<tr>
<td>Lack of buy-in from staff in subsidiaries</td>
</tr>
<tr>
<td>Industry pressure and practice from competitors</td>
</tr>
<tr>
<td>The parent company forcing the subsidiaries to implement policies that are not very relevant in the country of the subsidiary</td>
</tr>
<tr>
<td>The financial environment is too strict / stifled</td>
</tr>
<tr>
<td>Politics</td>
</tr>
<tr>
<td>Bottleneck kind of governance</td>
</tr>
<tr>
<td>Knowledge gap by employees, lack of enforcement by senior management and lean staff in finance/accounting/compliance/audit divisions</td>
</tr>
<tr>
<td>Cross country Taxation Laws</td>
</tr>
<tr>
<td>Forex Exposure</td>
</tr>
<tr>
<td>CBK regulation changes</td>
</tr>
<tr>
<td>Differing opinions from auditors</td>
</tr>
<tr>
<td>Different countries have different standards</td>
</tr>
<tr>
<td>In applicability of policies from one region to the another</td>
</tr>
<tr>
<td>Understanding issues requiring consultation</td>
</tr>
<tr>
<td>Decisions made at group level which may not favor the business environment in certain countries.</td>
</tr>
<tr>
<td>Fraudulent employees</td>
</tr>
<tr>
<td>Corruption</td>
</tr>
</tbody>
</table>

### 4.4.9 Correlation of Challenges that MNCs face in the Implementation of Financial Policies in Kenya

The researcher sought to determine if there exists any correlation between the various policies as detailed in the questionnaire. Based on a 90% and 95% significance level, Restrictive Regulation is significantly correlated to Customer perception of the Brand, Supplier unwillingness to provide goods/services and Local Laws and Legislation that...
differ with the financial policies. Local Laws and Legislation that differ with the financial policies are significantly correlated to Customer perception of the Brand and Supplier unwillingness to provide goods/services. Table 4.28 below summarizes the correlations.

**Correlation is significant at the 0.01 level (2-tailed).**

### 4.4.10 Cross Tabulation of Years of Experience against Challenges that MNCs face in the Implementation of Financial Policies in Kenya

The researcher also sought to determine if respondents who had worked for different numbers of years in MNCs had different opinions on the challenges. For stifled financial performance, 15.6% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed with the fact that stifled financial performance exists. 28.1% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that stifled financial performance exists. 12.5% out of a possible 18.8% being respondents with 6-10 years’ work experience in MNCs agreed or strongly agreed with the fact that stifled financial performance exists. All respondents with 11-15 years’ work experience in MNCs agreed or strongly agreed with the fact that stifled financial performance exists. Half of the respondents with more than 15 years’ work experience in MNCs agreed that stifled financial performance exists while the other half disagreed. Table 4.29 below summarizes these results.
### Table 4.28: Correlation of Challenges

<table>
<thead>
<tr>
<th></th>
<th>Stifled financial performance</th>
<th>Resistance in implementation in the subsidiaries</th>
<th>Customer/Consumer perception of the Brand</th>
<th>Supplier unwillingness to provide goods/services</th>
<th>Restrictive regulation</th>
<th>Local Laws and Legislation that differ with the financial policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stifled financial performance</td>
<td>Pearson Correlation</td>
<td>.201</td>
<td>.270</td>
<td>-.062</td>
<td>-.115</td>
<td>-.024</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.270</td>
<td>.167</td>
<td>.737</td>
<td>.532</td>
<td>.896</td>
</tr>
<tr>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Resistance in implementation in the subsidiaries</td>
<td>Pearson Correlation</td>
<td>.201</td>
<td>.075</td>
<td>.123</td>
<td>-.104</td>
<td>-.153</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.270</td>
<td>.682</td>
<td>.503</td>
<td>.573</td>
<td>.405</td>
</tr>
<tr>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Customer/Consumer perception of the Brand</td>
<td>Pearson Correlation</td>
<td>.250</td>
<td>.075</td>
<td>.185</td>
<td>.410*</td>
<td>.392*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.167</td>
<td>.682</td>
<td>.312</td>
<td>.020</td>
<td>.026</td>
</tr>
<tr>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Supplier unwillingness to provide goods/services</td>
<td>Pearson Correlation</td>
<td>-.062</td>
<td>.123</td>
<td>.185</td>
<td>1</td>
<td>.495**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.737</td>
<td>.503</td>
<td>.312</td>
<td>.004</td>
<td>.001</td>
</tr>
<tr>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Restrictive regulation</td>
<td>Pearson Correlation</td>
<td>-.115</td>
<td>-.104</td>
<td>.410*</td>
<td>.495**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.532</td>
<td>.573</td>
<td>.020</td>
<td>.004</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Local Laws and Legislation that differ with the financial policies</td>
<td>Pearson Correlation</td>
<td>-.024</td>
<td>-.153</td>
<td>.392*</td>
<td>.580**</td>
<td>.698**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.896</td>
<td>.405</td>
<td>.026</td>
<td>.001</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).
Table 4.29: Years of Experience in MNCs against Stifled financial performance Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 3 years</td>
<td>0.0%</td>
<td>6.3%</td>
<td>0.0%</td>
<td>12.5%</td>
<td>3.1%</td>
<td>21.9%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>3.1%</td>
<td>6.3%</td>
<td>9.4%</td>
<td>28.1%</td>
<td>0.0%</td>
<td>46.9%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>6.3%</td>
<td>0.0%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>18.8%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>6.3%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>3.1%</td>
<td>0.0%</td>
<td>3.1%</td>
<td>0.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Total</td>
<td>3.1%</td>
<td>21.9%</td>
<td>9.4%</td>
<td>53.1%</td>
<td>12.5%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

For resistance in implementation in the subsidiaries, 12.5% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs agreed that there is resistance in implementation in the subsidiaries. 34.4% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that there is resistance in implementation in the subsidiaries. 12.5% out of a possible 18.8% being respondents with 6-10 years’ work experience in MNCs disagreed with the fact that there is resistance in implementation in the subsidiaries. All respondents with 11-15 years’ work experience in MNCs agreed or strongly agreed that there is resistance in implementation in the subsidiaries. Half the respondents with more than 15 years’ work experience in MNCs strongly agreed that there is resistance in implementation in the subsidiaries. The other half disagreed. Table 4.30 below summarizes these results.
Table 4.30: Years of Experience in MNCs against Resistance in implementation in the subsidiaries Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Resistance in implementation in the subsidiaries</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>0.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Total</td>
<td>3.1%</td>
<td>25.0%</td>
</tr>
</tbody>
</table>

For customer/consumer perception of the brand, 15.6% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed with the fact that customer/consumer perception of the brand exists. 40.6% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that customer/consumer perception of the brand exists. Half of the 18.8% being respondents with 6-10 years’ work experience in MNCs agreed that customer/consumer perception of the brand exists. All respondents with 11-15 years’ work experience in MNCs agreed or strongly agreed with the fact that customer/consumer perception of the brand exists. All respondents with more than 15 years’ work experience in MNCs agreed that customer/consumer perception of the brand exists. Table 4.31 below summarizes these results.
Table 4.31: Years of Experience in MNCs against Customer/Consumer Perception of the Brand Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Customer/Consumer perception of the Brand</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Disagree</td>
<td>Neutral</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>6.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>9.4%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>9.4%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

For supplier unwillingness to provide goods/services, 15.6% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs disagreed with the fact that supplier unwillingness to provide goods/services exists. 28.1% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that supplier unwillingness to provide goods/services exists. 12.5% out of a possible 18.8% being respondents with 6-10 years’ work experience in MNCs agreed or strongly agreed with the fact that supplier unwillingness to provide goods/services exists. Half respondents with over 10 years’ work experience in MNCs strongly agreed with the fact that supplier unwillingness to provide goods/services exists while the other half disagreed. Table 4.32 below summarizes these results.
Table 4.32: Years of Experience in MNCs against Supplier unwillingness to provide goods/services Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Supplier unwillingness to provide goods/services</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly Agree</td>
<td></td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>3.1%</td>
<td>12.5%</td>
<td>0.0%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>21.9%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>3.1%</td>
<td>6.3%</td>
<td>9.4%</td>
<td>21.9%</td>
<td>6.3%</td>
<td>46.9%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>6.3%</td>
<td>0.0%</td>
<td>12.5%</td>
<td>0.0%</td>
<td>18.8%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>3.1%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.1%</td>
<td>6.3%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>3.1%</td>
<td>0.0%</td>
<td>3.1%</td>
<td>0.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Total</td>
<td>6.3%</td>
<td>31.3%</td>
<td>9.4%</td>
<td>40.6%</td>
<td>12.5%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

For restrictive regulation, 15.6% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed with the fact that restrictive regulation exists. 40.6% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that restrictive regulation exists. 9.4% out of a possible 18.8% being respondents with 6-10 years’ work experience in MNCs agreed or strongly agreed with the fact that restrictive regulation exists. All respondents with more than 10 years’ work experience in MNCs agreed or strongly agreed with the fact that restrictive regulation exists. Table 4.33 below summarizes these results.

Table 4.33: Years of Experience in MNCs against Restrictive Regulation Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Restrictive regulation</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
<td>Neutral</td>
<td>Agree</td>
<td>Strongly Agree</td>
<td></td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>3.1%</td>
<td>0.0%</td>
<td>3.1%</td>
<td>9.4%</td>
<td>6.3%</td>
<td>21.9%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>0.0%</td>
<td>6.3%</td>
<td>0.0%</td>
<td>25.0%</td>
<td>15.6%</td>
<td>46.9%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>3.1%</td>
<td>6.3%</td>
<td>6.3%</td>
<td>3.1%</td>
<td>18.8%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>6.3%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>3.1%</td>
<td>3.1%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Total</td>
<td>3.1%</td>
<td>9.4%</td>
<td>9.4%</td>
<td>46.9%</td>
<td>31.3%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
For local laws and legislation that differ with financial policies, 12.5% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs disagreed with the fact that local laws and legislation that differ with financial policies exist. 34.4% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed with the fact that local laws and legislation that differ with financial policies exists. 12.5% out of a possible 18.8% being respondents with 6-10 years’ work experience in MNCs agreed that local laws and legislation that differ with financial policies exists. Half of the respondents with 11-15 years’ work experience in MNCs strongly agreed with the fact that local laws and legislation that differ with financial policies exists while half disagreed. All of the respondents with more than 15 years’ work experience in MNCs agreed that local laws and legislation that differ with financial policies exist. Table 4.34 below summarizes these results.

Table 4.34: Years of Experience in MNCs against Local Laws and Legislation that differ with the financial policies Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Local Laws and Legislation that differ with the financial policies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>3.1%</td>
<td>9.4%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>0.0%</td>
<td>12.5%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>3.1%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>3.1%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>3.1%</td>
<td>28.1%</td>
</tr>
</tbody>
</table>

4.5 Solutions to the Challenges that MNCs in Kenya face in the Implementation of Financial Policies

Finally, the respondents were asked to rate the solutions to the challenges that MNCs in Kenya face in the implementation of financial policies. They were asked to tick the appropriate option from a five point Likert Scale: Strongly Disagree (1); Disagree (2); Neutral (3); Agree (4); and Strongly Agree (5). They were also given a chance to give their opinion on other possible solutions to the challenges.
4.5.1 Localization of Policies

The researcher sought to determine whether localization of policies is considered as one of the solutions to the challenges faced in the implementation of financial policies. The findings indicate that of the 32 respondents, none strongly disagreed with the statement, none disagreed, 6.3% did not give their view on the statement by ticking neutral, 31.3% agreed, and 62.5% strongly agreed with the statement. Table 4.35 below gives a summary of the results:

Table 4.35: Localization of Policies

<table>
<thead>
<tr>
<th>Localization of policies</th>
<th>Distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Neutral</td>
<td>2</td>
<td>6.3%</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>31.3%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>20</td>
<td>62.5%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

4.5.2 Use of Reprimands and Penalties to Enforce Policy

Respondents were also asked to rate whether they believe that use of reprimands and penalties is a possible solution to the challenges that MNCS face in the implementation of financial policies. The findings indicate that of the 32 respondents, 3.1% strongly disagreed with the statement, 31.3% disagreed, 9.4% did not give their view on the statement by ticking neutral, 34.4% agreed, and 21.9% strongly agreed with the statement. Table 4.36 below gives a summary of the results:

Table 4.36: Use of Reprimands and Penalties to Enforce Policy

<table>
<thead>
<tr>
<th>Use of reprimands and penalties to enforce policy</th>
<th>Distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>3.1%</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>31.3%</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
<td>9.4%</td>
</tr>
<tr>
<td>Agree</td>
<td>11</td>
<td>34.4%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>7</td>
<td>21.9%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
4.5.3 Flexibility in the Application of Policy
The researcher sought to determine whether flexibility in the application of policy was a possible solution to the challenges faced in the implementation of financial policies. Based on the responses, 3.13% strongly disagreed with this, 3.13% disagreed, 12.50% took a neutral position, 25.00% agreed and 56.25% strongly agreed. Table 4.37 below gives a summary of the results.

**Table 4.37: Flexibility in the application of Policies**

<table>
<thead>
<tr>
<th>Flexibility in the application of policy</th>
<th>Distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>3.1%</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>3.1%</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
<td>12.5%</td>
</tr>
<tr>
<td>Agree</td>
<td>8</td>
<td>25.0%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>18</td>
<td>56.3%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>32</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

4.5.4 Engaging Regulators on Restrictive Regulation
Regulator engagement was proposed as one of the solutions to the challenges MNCs face in the implementation of financial policies. Based on the responses, none of the respondents strongly disagreed with this statement, 3.13% disagreed, none took a neutral position, 43.75% agreed and 53.13% strongly agreed. Table 4.38 below summarizes these results.

**Table 4.38: Engaging Regulators on Restrictive Regulation**

<table>
<thead>
<tr>
<th>Engaging Regulators on restrictive regulation</th>
<th>Distribution</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>3.1%</td>
</tr>
<tr>
<td>Neutral</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Agree</td>
<td>14</td>
<td>43.8%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>17</td>
<td>53.1%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>32</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

4.5.5 Attractive Supplier Contract Terms
The final solution presented to the respondents was that of the use of Attractive Supplier Contract Terms as one of the solutions to challenges in the implementation of financial
policies in MNCs. Based on the responses, none of the respondents strongly disagreed with this solution, 12.5% disagreed, 21.9% took a neutral position, 31.3% agreed and 34.4% strongly agreed. Table 4.39 below summarizes these results.

Table 4.39: Attractive Supplier Contract Terms

<table>
<thead>
<tr>
<th>Attractive Supplier Contract Terms</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
</tr>
<tr>
<td>Neutral</td>
<td>7</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>11</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>12.5%</td>
</tr>
<tr>
<td>Neutral</td>
<td>7</td>
<td>21.9%</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>31.3%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>11</td>
<td>34.4%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>32</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

4.5.6 Ranking of Responses to Solutions to the Challenges faced in the Implementation of Financial Policy in MNCs

Based on the responses to the solutions for the challenges faced in the implementation of financial policies, it was possible to determine a ranking of the policies. Figure 4.4 summarizes the solutions and their rankings in order of percentage who agreed.

Figure 4.4: Ranking of Solutions based on Respondents’ feedback
4.5.6 Other Solutions to the Challenges faced in the Implementation of Financial Policies in MNCs

The respondents were also given the opportunity to list any other solutions that they believe MNCs use in the implementation of financial policies. Table 4.40 lists the responses given by the respondents.

*Table 4.40: Other Solutions to the Challenges*

<table>
<thead>
<tr>
<th>Solutions to the Challenges faced in the Implementation of Financial Policies in MNCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rewards for compliance</td>
</tr>
<tr>
<td>Training subsidiaries on the importance of implementing financial policies.</td>
</tr>
<tr>
<td>Auditing of policies and issuing penalties / punishment to subsidiaries that are not enforcing</td>
</tr>
<tr>
<td>Engaging in dialogue and cross functional training to achieve top management buy-in</td>
</tr>
<tr>
<td>Educating subsidiaries on the importance of such policies</td>
</tr>
<tr>
<td>Staff training to explain usefulness of policies</td>
</tr>
<tr>
<td>Working closely with the government to ease the implementation of policies</td>
</tr>
<tr>
<td>Dialogue</td>
</tr>
<tr>
<td>Staff training, conduct frequent auditing/compliance reviews</td>
</tr>
<tr>
<td>Employing expatriates in FD position</td>
</tr>
<tr>
<td>Centralized Financial Reporting by a Team of experts</td>
</tr>
<tr>
<td>Internal alignment of policies within the group</td>
</tr>
<tr>
<td>Benchmarking and Best practice</td>
</tr>
<tr>
<td>Meetings, conference calls and training to understand policies</td>
</tr>
<tr>
<td>Involvement of local teams in formulation of financial policies.</td>
</tr>
<tr>
<td>Detailed documentation; Code of Conduct</td>
</tr>
</tbody>
</table>

4.5.7 Other Options Available To Manage the Challenges Based On the Respondents Experience

The respondents were also given the opportunity to list any other options that they believe MNCs can take to manage the challenges that they face in the implementation of financial policies. Table 4.41 lists the responses given by the respondents.
Table 4.41: Other solutions to the challenges faced in MNCs in Kenya

<table>
<thead>
<tr>
<th>Other solutions to the challenges faced by MNCs in Kenya in the implementation of financial policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring that policies are aligned to the GAAP</td>
</tr>
<tr>
<td>Expressing the policies clearly and simply for ease of implementation</td>
</tr>
<tr>
<td>Clearly spelling out the benefits of the policies introduced to the company as a whole</td>
</tr>
<tr>
<td>Having a focused group to review policies from time to time to check on relevance</td>
</tr>
<tr>
<td>Prior research on industry policies and practices before venturing in certain countries</td>
</tr>
<tr>
<td>Engagement of suppliers and employees on financial policies prior to implementation</td>
</tr>
<tr>
<td>Better negotiation with stakeholders</td>
</tr>
<tr>
<td>Collaborations with institutions of higher learning to tailor syllabus on international financial policies best practice to equip learners for the MNC assignments/duties</td>
</tr>
<tr>
<td>Invest in continuous Staff Training on accepted financial reporting standards</td>
</tr>
<tr>
<td>Ethics enforcement to minimize corruption</td>
</tr>
<tr>
<td>Auditor consultation</td>
</tr>
<tr>
<td>Regulations need to be firmer for all MNCs ensuring it fair and balanced for all</td>
</tr>
<tr>
<td>Meetings, conference calls and training to understand policies</td>
</tr>
<tr>
<td>Proper understanding of local laws; Understanding the culture and nature of the people; Rewards and Recognition</td>
</tr>
</tbody>
</table>

4.5.8 Correlation of Solutions to the Challenges faced in the Implementation of Financial Policies

The researcher sought to determine if there exists any correlation between the various policies as detailed in the questionnaire. Based on a 90% and 95% significance level, Localization of policies is highly correlated to flexibility in the application of policy, Attractive Supplier Contract Terms. Engaging Regulators on restrictive regulation is highly correlated to Attractive Supplier Contract Terms. Table 4.42 below summarizes the results.
### Table 4.42: Correlation of Solutions to the Challenges

<table>
<thead>
<tr>
<th></th>
<th>Localization of policies</th>
<th>Use of reprimands and penalties to enforce policy</th>
<th>Flexibility in the application of policy</th>
<th>Engaging Regulators on restrictive regulation</th>
<th>Attractive Supplier Contract Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Localization of policies</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>-.349</td>
<td>.404*</td>
<td>-.034</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.050</td>
<td>.022</td>
<td>.854</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Use of reprimands and penalties to enforce policy</td>
<td>Pearson Correlation</td>
<td>-.349</td>
<td>1</td>
<td>.060</td>
<td>.074</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.050</td>
<td>32</td>
<td>.746</td>
<td>.688</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Flexibility in the application of policy</td>
<td>Pearson Correlation</td>
<td>.404*</td>
<td>.060</td>
<td>1</td>
<td>.084</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.022</td>
<td>.746</td>
<td></td>
<td>.649</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Engaging Regulators on restrictive regulation</td>
<td>Pearson Correlation</td>
<td>-.034</td>
<td>.074</td>
<td>.084</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.854</td>
<td>.688</td>
<td>.649</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>Attractive Supplier Contract Terms</td>
<td>Pearson Correlation</td>
<td>.514**</td>
<td>.141</td>
<td>.125</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.003</td>
<td>.442</td>
<td>.495</td>
<td>.041</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).
4.5.9 Cross Tabulation of Years of Experience against Solutions to the Challenges faced in the Implementation of Financial Policies

The researcher also sought to determine if respondents who had worked for different numbers of years in MNCs had different opinions on the solutions to the challenges faced. For localization of policies, all respondents with 1-3 years’ work experience in MNCs agreed with the fact that localization of policies exists. 28.1% out of a possible 43.8% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed that localization of policies exists. 15.6% out of a possible 18.8% being respondents with 6-10 years’ work experience in MNCs agreed or strongly agreed with the fact that localization of policies exists. All respondents with over 10 years’ work experience in MNCs agreed or strongly agreed that localization of policies exists. Table 4.43 below summarizes these results.

Table 4.43: Years of Experience in MNCs against Localization of policies Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Localization of policies</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Neutral</td>
<td>Agree</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>0.0%</td>
<td>9.4%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>3.1%</td>
<td>12.5%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>3.1%</td>
<td>9.4%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>6.3%</td>
<td>31.3%</td>
</tr>
</tbody>
</table>

For use of reprimands and penalties to enforce policy, 9.4% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs disagreed that there is use of reprimands and penalties to enforce policy; 6.3% agreed. 28.1% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed that there is use of reprimands and penalties to enforce policy. 15.6% out of a possible 18.8% being respondents with 6-10 years’ work experience in MNCs agreed or strongly agreed that there is use of reprimands and penalties to enforce policy. Half respondents with over 10 years’ work experience in MNCs agreed that there is use of reprimands and penalties to enforce policy.
penalties to enforce policy while the other half disagreed. Table 4.44 below summarizes these results.

**Table 4.44: Years of Experience in MNCs against Use of reprimands and penalties to enforce policy Cross tabulation**

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Use of reprimands and penalties to enforce policy</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>0.0%</td>
<td>9.4%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>3.1%</td>
<td>12.5%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>3.1%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>3.1%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Total</td>
<td>3.1%</td>
<td>31.3%</td>
</tr>
</tbody>
</table>

For flexibility in the application of policy, all respondents with 1-3 years’ work experience in MNCs agreed or strongly agreed that there is flexibility in the application of policy. 37.5% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed or strongly agreed that there is flexibility in the application of policy. Half respondents with 6-10 years’ work experience in MNCs agreed that there is flexibility in the application of policy while the other half took a neutral position. All respondents with over 10 years’ work experience in MNCs agreed that there is flexibility in the application of policy. Table 4.45 below summarizes these results.

For engaging regulators on restrictive regulation, 18.8% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs agreed it happens one of the solutions. All respondents with over 3 years’ work experience in MNCs agreed that engaging regulators on restrictive regulation happens. Table 4.46 below summarizes these results.
Table 4.45: Years of Experience in MNCs against Flexibility in the application of
policy Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Flexibility in the application of policy</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree</td>
<td>Disagree</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Table 4.46: Years of Experience in MNCs against Engaging Regulators on restrictive
regulation Cross tabulation

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Engaging Regulators on restrictive regulation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Disagree</td>
<td>Agree</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>3.1%</td>
<td>12.5%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>0.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>3.1%</td>
<td>43.8%</td>
</tr>
</tbody>
</table>

For attractive supplier contract terms, 6.3% of a possible 21.9% being respondents with 1-3 years’ work experience in MNCs disagreed with the use of attractive supplier contract terms as a solution while 6.3% agreed. 34.4% out of a possible 46.9% being respondents with 4-5 years’ work experience in MNCs agreed that attractive supplier contract terms are used as a solution. 12.5% out of a possible 18.8% being respondents with 6-10 years’ work experience in MNCs agreed with the use of attractive supplier contract terms. All
respondents with more than 10 years’ work experience in MNCs agreed that the use attractive supplier contract terms is a solution. Table 4.47 below summarizes these results.

**Table 4.47: Years of Experience in MNCs against Attractive Supplier Contract Terms**  
*Cross tabulation*

<table>
<thead>
<tr>
<th>Years of Experience in MNCs</th>
<th>Attractive Supplier Contract Terms</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Disagree</td>
<td>Neutral</td>
</tr>
<tr>
<td>1 – 3 years</td>
<td>6.3%</td>
<td>9.4%</td>
</tr>
<tr>
<td>4 – 5 years</td>
<td>6.3%</td>
<td>6.3%</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>0.0%</td>
<td>6.3%</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>More than 15 years</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12.5%</td>
<td>21.9%</td>
</tr>
</tbody>
</table>

**4.6 Chapter Summary**  
This chapter has presented the findings of the data analysis. The data analysis was done by breaking down the research questions identified through the data collected into simpler coherent part in line with the purpose of the study. The tabulated data was analyzed quantitatively by calculating various percentages, while descriptive data was analyzed qualitatively by organizing collected data into meaningful notes. The presentation of the results of quantitative analysis was in form of frequency tables and figures so as to highlight the results and to make it more illustrative and easier to understand and interpret, while the results of qualitative analysis was in form of explanatory notes and tables. The next chapter presents a summary of the findings as well as discussions, conclusions, and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction
This chapter addresses the results and findings of the implementation of financial policies in MNCs in Kenya. The findings were outlined according to specific objectives of the study. The findings were based on the responses from the questionnaires filled and information gathered on the research questions. The researcher provided a discussion on the findings of the research as compared to the findings in the literature review based on the specific objectives. Thus, this means that this chapter presents summary of research objectives, findings, conclusions, and recommendations for further study.

5.2 Summary
The purpose of this study was to gather insights on the implementation of financial policies in MNCs in Kenya. The research questions looked at the financial policies that MNCs in Kenya practice, challenges that MNCs in Kenya face in the implementation of financial policies and the solutions to the challenges MNCs in Kenya face in the implementation of financial policies.

The research design used for this study was descriptive. It facilitated the understanding of the characteristics associated with the subject population as described by Cooper and Schindler (2014). The research was conducted through a questionnaire dispatched in hardcopy and online to the respondents. The sampling frame in this study was all employees in the finance departments of the four MNCs and all employees in same MNCs who are responsible for managing operating expenditure budgets assuming that they are different people. The MNCs selected were Airtel Networks Kenya Limited, East African Breweries Limited, Coca Cola Kenya (Nairobi Bottlers Limited) and Standard Chartered Bank Kenya. A sample of 42 employees was targeted to represent the population of interest. Out of the 42, 32 responded making for a 76.19% response rate which was deemed to be sufficient. The data gathered was edited and transformed into a quantitative form through coding. It was then entered into Microsoft Excel and IBM SPSS. Univariate analysis like frequency distribution was adopted in the study. Correlation between the variables was established and cross tabulations were prepared. The analyzed data was presented in the form of tables and charts.
From the questionnaires, it emerged that majority of the respondents were male at 58% and the balance (42%) were female respondents. A cross tabulation of gender and years’ of work experience revealed that out of the males, most had 4 years of experience or more and of the females, the majority had 6 years’ experience or more. The respondents were also experienced in MNCs with the majority (78.13%) having worked in MNCs for 4 years or more. Out of these, 12.5% had over 11 years’ experience in MNCs. The respondents were mostly First Level Supervisors, Middle Managers or Senior Managers with these 3 levels accounting for 87.5% of the respondents. 12.5% of the respondents categorized themselves as Employees and unfortunately no Executive Managers responded to the questionnaire.

The findings of the study were that majority of the employees agreed that revenue policies (87.5%), policies on operating expenses (93.8%), policies on cash holding and cash usage (96.9%), debt policies (87.5%), fixed asset management policies (93.8%), policies on inventory management (96.9%), policies on payables and accruals (96.9%) and policies on debtors and other receivables (96.9%) are practiced in MNCs in Kenya. Additionally, the respondents added various policies practiced including document retention policies, approval matrices and delegation of authority, policies on budgeting, forecasting and planning, policies in conflict of interest, employee compensation and rewards policy, capitalization policies, transfer pricing policy, taxation policies, policies on investments, reconciliation policies, accounting and reporting policy, procurement policies, policies on financing, employee expense claims, policies on bank accounts, risk policy and supplier management policies. These additions significantly increased the scope and nature of financial policies that MNCs in Kenya practice.

The findings also revealed that different policies have interdependence on each other in that if the respondents agreed on one of them, they also agreed on the others. Respondents agreed that where Revenue Policies are used, MNCs also have Policies on Operating Expenses and Debt Policies. In the case of Policies on operating expenses, the respondents also agreed that Policies on cash (holding and usage), Debt policies, Fixed Asset Management policies, Policies on Inventory Management, Policies on Payables and Accruals and Policies on Debtors and Other Receivables are applicable. With regard to Policies on cash (holding and usage), the respondents also agreed that Debt policies, Fixed Asset Management policies, Policies on Inventory Management, Policies on
Payables and Accruals and Policies on Debtors and Other Receivables are practiced. Where respondents agreed that Debt Policies are practices, they also agreed that Fixed Asset Management policies, Policies on Inventory Management, Policies on Payables and Accruals and Policies on Debtors and Other Receivables are applicable. As for Fixed Asset Management policies, respondents also agreed that Policies on Inventory Management, Policies on Payables and Accruals and Policies on Debtors and Other Receivables are applicable. For the respondents who agreed that Policies on Inventory Management are practiced, they also agreed that Policies on Payables and Accruals and Policies on Debtors and Other Receivables are practiced in MNCs. Lastly, where respondents agreed that Policies on Payables and Accruals are practiced, they also agreed that Policies on Debtors and Other Receivables are applicable.

There was little effect of the years of work experience of the respondents on whether they agreed or disagreed with the practice of financial policies in MNCs. As a result, an average of 93.8% of respondents agreed with the policies above despite their years of work experience.

With respect to the challenges that MNCs in Kenya face in the implementation of financial policies, majority of the respondents agreed that stifled financial performance (65.6%), resistance in implementation in the subsidiaries (59.4%), consumer perception of the brand (78.1%), supplier unwillingness to provide goods or services (53.1%), restrictive regulation (78.1%) and local laws and legislation that differ with the financial policies (65.6%) are part of the challenges that MNCs face in the implementation of financial policies. Other challenges were also pointed out including corruption, policies that are not relevant to particular countries, competition, political climate and audit issues arising as a result of policies.

As for the correlation of the challenges, there were fewer linkages between the various challenges as compared to the linkages seen in the financial policies. Where respondents agreed that Restrictive Regulation is part of the challenges, they also agreed that Customer perception of the Brand, Supplier unwillingness to provide goods/services and Local Laws and Legislation that differ with the financial policies are challenges faced. As for Local Laws and Legislation that differ with the financial policies, the respondents also agreed that Customer perception of the Brand and Supplier unwillingness to provide goods/services are challenges faced.
Similar to the financial policies practiced in MNCs, there was little effect of the years of work experience of the respondents on whether they agreed or disagreed with the challenges faced in the implementation of financial policies in MNCs. As a result, an average of 66.7% of respondents agreed with the challenges faced in the implementation of financial policies above despite their years of work experience. However, it is worth noting that more experienced employees with over 11 years’ experience were split down the middle with half agreeing that stifled financial performance was one of the challenges faced while the other half disagreed.

Finally, with regards to the solutions to the challenges that MNCs face in the implementation of financial policies, majority of the respondents again agreed that localization of policies (93.75%), use of reprimands and penalties to enforce policy (56.25%), flexibility in the application of policy (81.25%), engaging regulators on restrictive regulation (96.88%) and attractive supplier contract terms (65.63%) are solutions that are used in MNCs in Kenya. Additionally, the research found that other solutions are used such as training and education on the policies and their necessity, rigorous audits to endure policies are being implemented correctly, benchmarking and application of best practice and maintenance of detailed documentation and training manuals on the policies.

With regards to the correlation of solutions, there were only 3 instances of correlation between the solutions proposed. Where respondents agreed that Localization of policies was possible solution, they agreed that Flexibility in the application of policy and Attractive Supplier Contract Terms are possible solutions as well. With regards to Engaging Regulators on restrictive regulation there was similar agreement that Attractive Supplier Contract Terms is also a potential solution to the challenges faced.

Years of work experience in an MNC had a part to play in whether the respondents agreed with the potential solutions in one instance. This was in regards to use of reprimands and penalties to enforce policy. Respondents who had 1-3 years’ experience disagreed with this proposal as a solution to the challenges faced. Respondents with over 10 years’ experience were split down the middle with half disagreeing that use of reprimands and penalties is as a solution while the other half agreed.
5.3 Discussion

5.3.1 Financial Policies That MNCs in Kenya Practice

Budd (2001) stated that organizations need financial policies and procedures to safeguard their financial assets. The study was able to determine that MNCs in Kenya practice a number of financial policies over and above the policies that the researcher sought to investigate under the research question. Revenue policies are necessary to help decision makers understand and manage revenues (CA-ILG, 2013). A significant majority of the respondents agreed that revenue policies are practiced in MNCs in Kenya further underscoring the necessity for these policies. Revenue policies ensure that revenue is properly earned, accounted for, managed and utilized. Different companies have different revenue policies based on the nature of the business (Dye, 2015). Some revenue policies go as far as to limit the sources of revenues to avoid companies delving into areas that are not the core business of the firm.

MNCs also use policies on operating expenses to control their operating expenditure. They also use these policies to avoid the misuse of funds allocated to operating expenses. Policies on operating expenditure vary from company to company as well. The distinction again lies in the nature of the business as explained by (Dye, 2015). The research found that MNCs in Kenya indeed do use policies on operating expenses.

Cash is king. Cash holding and cash usage is a sensitive area in any organization. Management of cash is therefore important and is critical especially in organizations that are largely sensitive to cash holding (Almeida, Campello, & Weisbach, 2004). The study findings also support the fact that MNCs in Kenya have policy on cash holding and cash usage.

Debt management involves decisions around how the organization sources for debt, the amounts of debt it chooses to hold, what the debts will be used for, the currency in which the debts is held (especially important for MNCs) and the tenure of the debt (short-term or long-term) (Chowdhry & Coval, 1998; Madura, 2011). The research determined that MNCs in Kenya indeed do have some form of debt management policy. Though the nature of the policy was not the focus of the research, it was evident that the policies were applicable.
The research also determined the policies on fixed asset management are applied in MNCs in Kenya. Assets help a company generate revenue. It therefore becomes necessary for companies to determine the way in which assets will be managed to ensure that output from the assets is at the optimum level and that costs associated with running and utilizing these assets are tracking as per budget or expectation (Campbell, Jardine, & McGlynn, 2011).

Inventory is required because of predictability or raw materials required in production, fluctuations in goods demand, unreliability or scarcity of supply, price protection (buying quantities at an appropriate time helps avoid the impact of cost inflation), quantity discounts as a result of buying in bulk and lower ordering cost (Muller, 2011). MNCs in Kenya have inventory management policies to ensure that inventory amounts held are at an optimum. This in turn ensures that the associated holding and ordering costs of inventory are within the desirable and manageable levels.

Policies on payables and accruals are put in place with the goal of ensuring that the company has an optimum level of amounts owed and that it correctly accounts for these amounts (Bryk, Lee, Thibault, & Stewien, 2016). Majority of the respondents agreed with the fact that these policies are used in MNCs in Kenya.

A similar number of respondents stated the policies on debtors and other receivables are practiced in MNCs in Kenya. Such policies are necessary to ensure that the amounts the company is owed are properly managed. Management can also include securing or insuring such receivable amounts in the event that the debtors default (Mian & Smith, 1992).

The research also found other financial policies that MNCs in Kenya used. Document retention policies are crucial to ensuring that information is properly stored for future use and accessibility. Approval matrices and delegation of authority create a distinct segregation that protects the company from frauds and from incurring potentially unnecessary costs. Budgeting, forecasting and planning are crucial to determining a road map for the corporation and for monitoring and evaluating the progress made in line with the plans. To avoid fraud, policies on conflict of interest are necessary as these protect the company from employees who may have other interests other than those of the company at heart. Employee compensation and rewards policy are also necessary towards the goal
of safeguarding the company’s assets. Other policies that MNCs in Kenya practice include capitalization policies (thresholds above which expenses are recorded as fixed assets), transfer pricing policies around the transfer of goods or services of subsidiaries or associate companies in the same MNC, taxation policies, policies on investments, reconciliation policies, accounting and reporting policy, procurement policies, policies on financing, employee expense claims, policies on bank accounts, risk policy to determine the level of risk that the organization should be willing to take and supplier management policies.

5.3.2 Challenges That MNCs Face In the Implementation of Financial Policies
The research also found that there are indeed a number of challenges that MNCs in Kenya face in the implementation of financial policies. As to whether stifled performance is one of the challenges that MNCs in Kenya face, there was an overall feeling that some policies do indeed cause this. But there was also some disagreement with this idea therefore showing that some respondents believe that the policies might not actually lead to constrained financial performance and may actually lead to improved or optimal performance.

The research also found that another challenge MNCs in Kenya face is the resistance in implementation in the subsidiaries. This supports the argument that Ciabuschi, Forsgren and Martin (2011) put forth. They argued that subsidiaries often choose not to follow policies as set out by the HQ due to a lack of understanding or sometimes a deliberate effort on their part where they believe that non-conformance is better for their interests.

Consumer perception of the brand as stated by Gerzema and Lebar (2008) and Larkin (2013) can be affected by the financial policies that MNCs applies. Gerzema (2008) showed that market value of brands accounted for 30% of market capitalization of Standard and Poor’s (S&P) 500 firms, and exceeded the book value of equity of those firms. Responses from this research supported this opinion.

Hoek (2013) stated that it is important for organizations to outline their supplier management processes since this can have an effect on the types of suppliers a company attracts. Therefore, the financial policies that a MNC creates around supplier management may potentially have the effect of pushing away certain suppliers. This view was agreed with by the majority of the respondents to the research. However, there was also a large
dissenting percentage in the research. Perhaps this could be explained by the fact that suppliers are also in need of the business and can therefore easily adapt to the policies of the MNC as applicable.

Regulation is often a challenge to MNCs as it limits the policies they can apply. Lam and Shin (2012) supported this opinion based on their study on SMEs in Japan. The same issue is applicable to MNCs in Kenya though the research did not pinpoint specific examples of the challenges faced.

Levine and Beck (2014) in a working paper for the National Bureau of Economic Research attempted to understand why certain countries have growth-enhancing financial systems while others do not. They concluded that the local laws and legislations have a big part to play in such countries. The same ideology is applicable in Kenya and the research determined that Kenya too has laws and legislations that differ with the MNCs financial policies. As a result, the MNC either has to adapt or adopt.

The research also determined a number of other challenges including corruption in Kenya, MNCs decisions to implement policies that are not relevant to Kenya, competition, the political climate in the country and conflict between the MNC and auditors with regards to the policies that the MNCs practice.

5.3.3 Solutions to the Challenges Faced In the Implementation of Financial Policies in MNCs in Kenya

Pudelko and Harzing (2007) put forward a case that certain policies should be localized towards host country practices whereas others should be standardized towards headquarters practices. The decision to localize or standardized should be based on the core competencies of the organization. Whether the MNC opts to standardize or to localize, the core competencies should be even across the different operations. MNCs in Kenya do use localization of policy as one of the solutions to the challenges faced in the implementation of financial policies as evidenced by the large majority of respondents who agreed with this solution.

Respondents were torn on whether MNCs use reprimands and penalties to enforce financial policies. However, the majority agreed that reprimands and penalties are used. Wulf (2011), Singh, Svensson, Wood, and Callaghan (2011) and Wong, Nassiripour, Mir, and Healy (2011) supported the fact that reprimands and penalties are often applied. This
can either be effected through codes of ethics or codes of conduct or penalties on the subsidiary’s performance.

MNC subsidiaries often have leeway to come up with their own policies or to find a more suitable way of applying the policies as dictated by the HQ. These perspectives, also supported by Festing, Knappert, Dowling, and Engle (2012) and Witcher and Chau (2012), give sufficient weight to the argument that the headquarters should allow some flexibility in the policies and practices of their subsidiaries. The research also found this to be true for the sampled MNCs in Kenya with the respondents agreeing that flexibility in the application of policy is a solution used by MNCs in Kenya.

The researcher also sought to determine whether engaging regulators on restrictive regulation is one of the solutions to the challenge faced by MNCs on restrictive regulation and the research concluded that this solution is applicable. Richet, Delteil and Dieuaide (2014) uncovered that foreign MNCs in China were extensively consulted on regulations on 3 new labour laws that were created in the country in 2007. The MNCs interests often differed with those of the local workers but a balance was reached based on the consultative process. Stiglitz (2007) also noted that MNCs often perform their own independent research and prepare their own papers on regulations which are then used to lobby regulators to make changes to restrictive regulations as applicable.

The challenge MNCs face around suppliers being unwilling to supply goods or services based on the financial policies that the MNCs practice can be addressed through the use of attractive supplier contract terms. Rhodes, Warren and Carter (2009) and Wuyts and Geyskens (2005) put forward the opinion that companies can use supplier contracts to attract and retain suppliers. The contracts can also be used to develop the suppliers for the good of both the company and to grow the supplier as the company grows. As a result, the suppliers are encouraged to partner with the particular company or MNC.

The respondents to the research also gave various other possible solutions to the challenges faced in the implementation of policies. These included rewards for compliance, training and education in subsidiaries on the financial policies, auditing the implementation of policies, benchmarking and use of best practice and maintenance of detailed documentation on the policies.
5.4 Conclusion

5.4.1 Financial Policies That MNCs in Kenya Practice
This study established that MNCs practice policies of Inventory Management, polices on accounts payables and accruals, policies on debtors and other trade receivables and policies on cash holding and cash usage to safeguard the company assets and to maximize financial performance. The MNCs also use policies on operating expenses, policies on fixed asset management, policies on debt and policies on revenue for the same purpose. Additionally, various other policies are used by MNCs and these include Document retention, approval matrices and delegation of authority, budgeting, forecasting and planning, policies on conflict of interest, employee compensation and rewards policies, capitalization policies, transfer pricing policies, taxation policies, policies on investments, reconciliation policies, accounting and reporting policies, procurement policies, employee expense claims, policies on bank accounts, risk policies and supplier management policies. Therefore the study concluded that MNCs in Kenya practice various financial policies to ensure that the organization stays within its objectives.

5.4.2 Challenges That MNCs in Kenya Face in the Implementation of Financial Policies
This study established that customer or consumer perception of the brand, restrictive regulation, stifled financial performance, local laws and legislation that differ with the financial policies are challenges that MNCs in Kenya face in the implementation of financial policies. The study also established that resistance in implementation in the subsidiaries and supplier unwillingness to provide goods or services are also challenges faced though for some the MNCs sampled, this may not be the case. But other challenges specific to certain MNCs were corruption in Kenya, MNCs decisions to implement policies that are not relevant to Kenya, competition in Kenya, the political climate in the country and conflict between the MNC and auditors with regards to the policies that the MNCs practice.

5.4.3 Solutions to the Challenges Faced By MNCs in Kenya in the Implementation of Financial Policies
The study established that engaging regulators on restrictive regulation is a solution for MNCs in Kenya where they believe that regulation is restrictive. MNCs in Kenya also exercise the option of localizing financial policies to better suit them. It also emerged that
MNC HQs should also allow for flexibility in the application of policies in their subsidiaries. More controversial were opinions on the fact that MNCs should use attractive supplier contract terms to encourage suppliers to work with the MNCs and that MNCs should use reprimands and penalties to enforce policies with the latter receiving some disapproval though, overall, this is an acceptable solution. In conclusion, it emerged that there are also other MNC specific solutions to these challenges such as rewards for compliance, training and education in subsidiaries on the financial policies, auditing the implementation of policies, benchmarking and use of best practice and maintenance of detailed documentation on the policies.

5.5 Recommendation

5.5.1 Suggestions for Improvement

5.5.1.1 Financial Policies that MNCs in Kenya practice
The study established that MNCs in Kenya practice a number of financial policies. It is therefore paramount for MNC HQs with subsidiaries that operate in Kenya or with those intending to operate in Kenya to evaluate each of these policies and determine their suitability and applicability.

5.5.1.2 Challenges that MNCs in Kenya face in the implementation of financial policies
To better their application of financial policies, MNCs should first understand the challenges that are or will be faced in the implementation of financial policies. This study detailed the challenges that MNCs in Kenya face in the implementation of policies. The study therefore recommends that MNCs with operations in Kenya or those intending to set-up in Kenya should evaluate these challenges as well as aim to establish other potential challenges that they may face in their goal of implementing financial policies.

5.5.1.3 Solutions to the challenges faced in the implementation of financial policy in MNCs in Kenya
This study also recommends that MNCs evaluate the potential solutions detailed in this study to the challenges faced in the implementation of financial policy to determine their suitability in dealing with the challenges that they face. Additionally, the MNC can determine other solutions after an evaluation of the specific challenges they face in their implementation of financial policies.
5.5.2 Suggestions for further studies

From an analysis of the questionnaires, it emerged that no executive managers responded to the study. The executives who would be responsible for coming up with policies and seeing through their implementation would have given valued insight on the entire study and therefore an area for further research would be to seek the opinions of the executives on the implementation of financial policies in MNCs in Kenya. Additionally, the research had a limited respondents and a limited number of MNCs. Though the sample may have been sufficient and representative, future studies can improve on this limitation by increasing the sample size by selecting more MNCs.
REFERENCES


Dear Respondent,

RE: REQUEST FOR YOUR PARTICIPATION IN MY ACADEMIC RESEARCH PROJECT

I am the above student currently pursuing a course towards conferment of Master of Business Administration (MBA) from United States International University - Africa.

In partial fulfillment of the requirements of the award of the degree, I am conducting a research project on the Implementation of Financial Policy Multinational Corporations (MNCs). You have been selected to participate in this study.

Participation is voluntary and it will involve you answering questions regarding your experiences with MNCs and their financial policies. Please spare a few minutes of your time to fill in the blanks of the below list of questions to the best of your knowledge. Kindly complete all sections of the questionnaire to enable me complete the study. Please note that the information you provide will be treated as confidential, and will only be used for purpose of this research.

The findings of this study will inform the management of other MNCs in making decisions on financial strategy and policy in their subsidiaries. The response is targeted at managers tasked with managing the operating expense budgets within the organization.

Your participation in this study will be highly appreciated.

Yours Sincerely,

Michael N. Ngari
APPENDIX II: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

Please respond to the questions below by ticking in the boxes provided.

1. Name of the respondent
   (Optional)…………………………………………………………

2. Gender? (Optional)
   - Male ☐
   - Female ☐

3. How many years of experience do you have?
   - Less than 1 year ☐
   - 1 – 3 years ☐
   - 4 – 5 years ☐
   - 6 – 10 years ☐
   - 11 – 15 years ☐
   - More than 15 years ☐

4. How long have you worked for Multinational Corporations?
   - Less than 1 year ☐
   - 1 – 3 years ☐
   - 4 – 5 years ☐
   - 6 – 10 years ☐
   - 11 – 15 years ☐
   - More than 15 years ☐

5. What level would you categorize your current job?
   - Executive Manager ☐
   - Senior Manager ☐
   - Middle Manager ☐
   - First Level Supervisor ☐
   - Employee ☐
SECTION B: RESEARCH TOPIC

IMPLEMENTATION OF FINANCIAL POLICY IN MULTINATIONAL CORPORATIONS

Research Question I: What financial policies do Multinational Corporations operating in Kenya maintain?

To what extent do you agree or disagree that the following financial policies are used in multinational corporations with operations in Kenya? Please indicate your response by putting an X to each item if you are aware if its use in multinational corporations.

<table>
<thead>
<tr>
<th>SAMPLE POLICIES</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Revenue policies</td>
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<td>ii. Policies on operating expenses</td>
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<td>iii. Policies on cash (holding and usage)</td>
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<td>iv. Debt policies</td>
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<td>v. Fixed Asset Management policies</td>
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<td>vi. Policies on Inventory Management</td>
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<td>vii. Policies on Payables and Accruals</td>
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<td>viii. Policies on Debtors and Other Receivables</td>
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Other than the above examples, what other financial policies are implemented in Multinational Corporations in Kenya?

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Without revealing any confidential information, what are the contents or what is the scope of the financial policies that are implemented in Multinational Corporations in Kenya?
Research Question II: Challenges that Multinational Corporations face in the implementation of financial policy

Below are possible challenges that multinational corporations face when they implement financial policies.

To what extent do you agree or disagree that the challenges below are faced by Multinational Corporations in Kenya in the implementation of financial policies? Please indicate your response by putting an X to each item.

<table>
<thead>
<tr>
<th>SAMPLE CHALLENGES</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</thead>
<tbody>
<tr>
<td>i. Stifled financial performance</td>
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<td>ii. Resistance in implementation in the subsidiaries</td>
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<td>iii. Customer/Consumer perception of the Brand</td>
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<td>iv. Supplier unwillingness to provide goods/services</td>
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<td>v. Restrictive regulation</td>
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<td>vi. Local Laws and Legislation that differ with the financial policies</td>
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Other than the above examples of challenges, what other challenges do Multinational Corporations in Kenya face in the implementation of financial policies?

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Research Question III: Solutions to the challenges faced in the implementation of financial policy

Below are potential solutions to the challenges that multinational corporations face in the implementation of financial policies.

To what extent do you agree or disagree that the solutions below may be used by Multinational Corporations in Kenya to tackle the challenges in the implementation of financial policies? Please indicate your response by putting an X to each item.

<table>
<thead>
<tr>
<th>SAMPLE SOLUTIONS</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Localization of policies</td>
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<tr>
<td>ii. Use of reprimands and penalties to enforce policy</td>
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<td>iii. Flexibility in the application of policy</td>
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<td>iv. Engaging Regulators on restrictive regulation</td>
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<tr>
<td>v. Attractive Supplier Contract Terms</td>
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</table>

Other than the above examples of solutions to the challenges, what other solutions are you aware of that are used by Multinational Corporations in Kenya to tackle the challenges in implementation of financial policies?
Based on your experience, what else do you think can be done by multinational corporations in Kenya to deal with the challenges faced in the implementation of financial policies?

THANK YOU!