

Centralize or decentralize the decision making in a subsidiary
Arab companies case study

Ricardo João Dias Marques

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Supervisor:
Prof. Álvaro Augusto da Rosa, ISCTE Business School, Departamento de Marketing,
Operações e Gestão Geral

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RESUMO

Os mercados emergentes têm sido um dos principais motores da nova economia globalizada. Hoje, ter uma perspectiva clara sobre a forma como alocamos e alavancamos os processos de tomada de decisão ao longo da cadeia de valor de uma organização é mais significativo do que nunca.

Quando olhamos para as organizações de hoje, compreendemos o papel crítico da centralização e descentralização dos processos de decisão como um factor crucial para a competitividade nos mercados que exigem adaptação local. Assim, torna-se importante estudar o posicionamento de empresas e a sua estratégia organizacional em relação à tomada de decisão, uma vez que tem um impacto claro sobre a melhoria das estruturas subsidiárias nos mercados em que operam.

Nesta dissertação, vamos apresentar não só a importância e a tipologia de diferentes subsidiárias, mas também compreender, a partir de uma pesquisa realizada no mercado emergente do Médio Oriente, como o processo de tomada de decisão é entendido na sua gestão global de subsidiárias.

Palavras Chave: Centralização, Descentralização, Médio Oriente, Subsidiárias

JEL Classification System: F23, M16

ABSTRACT

The emergent markets have been one of the key drivers of the new globalized economy. Today, having a clear perspective on how we should leverage and allocate decision making processes throughout the value chain of an organization is more important than ever.

When we look at today's organizations, we also understand the critical role of centralization or decentralization processes as a key factor for competitiveness in markets requiring local adaptation. So, it becomes important to study the companies positioning and organizational strategy, regarding decision making, since it's has a clear impact on the improvement of the subsidiaries structures in their operating markets.

In this dissertation, we will present not only the importance and the typology of different subsidiaries, but also understand, from a conducted research in an emergent market like Middle East, how the decision making process is perceived in their overall subsidiaries management.

Keywords: Centralization, Decentralization, Middle East, Subsidiaries

JEL Classification System: F23, M16

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ABBREVIATION INDEX

CEO – Chief Executive Officer
COO – Chief Operations Officer
FDI – Foreign Direct Investment
GDP – Gross Domestic Product
HQ – Headquarters
HR – Human Resources
ICT – Information and Communications Technologies
JEL – Journal of Economic Literature
JOD – Jordanian Dinar
M&A – Mergers and Acquisitions
MENA – Middle East and North Africa
MNE – Multinational Enterprise
NGO – Non Governmental Organization
OEM – Original Equipment Manufacturer
OLI – Ownership, Location and Internalization
R&D – Research and Development
TIC – Tecnologias de Informação e Comunicação
UAE – United Arab Emirates
USD – United States Dollar (s)
VAT – Value Added Tax

SUMÁRIO EXECUTIVO

A investigação dos padrões de gestão de empresas provenientes de mercados emergentes, em geral, e do médio oriente, em particular, não se têm revelado particularmente muito explorados pela literatura económica. No entanto, neste novo milénio, a economia mundial tem registado maior crescimento em países emergentes. Torna-se então importante investigar modelos de gestão provenientes destas geografias, especialmente no que concerne empresas multinacionais oriundas dessas mesmas geografias.

Partindo deste princípio, esta investigação propõe-se a obter indicadores de análise relativamente aos processos de tomada de decisão, procurando compreender se existe maior centralização ou descentralização nas multinacionais estudadas, tendo por base a literatura existente. Uma das indústrias mais predominantes no Médio Oriente são as Tecnologias de Informação e Comunicação (TIC's), pelo que a investigação será feita através do estudo de caso de multinacionais deste sector. Assim, propomo-nos estruturar o trabalho da seguinte forma:

Introdução: Será realizada uma análise inicial do problema, a importância e interesse dos temas a abordar, justificando a razão pela qual este estudo acrescenta valor à literatura existente bem como uma análise, como contextualização do estudo, à economia macro e geografia do Médio Oriente.

Enquadramento teórico: Uma revisão de literatura dividida em três blocos. Num primeiro bloco é feita a revisão da literatura existente sobre os motivos que levam à criação de uma subsidiária. Num segundo bloco, serão descritas as tipologias e os papéis das subsidiárias, ganhando uma visão ampla das matrizes em que podemos interpretar a subsidiária. Num terceiro bloco focamos a tónica sobre os conceitos de centralização e descentralização.

Metodologia: Este capítulo justificará a escolha por uma abordagem construtivista e estudo qualitativo. Depois de definida a problemática da investigação, realizamos o estudo

de caso das empresas seleccionadas. Para este efeito, foi efectuado um questionário dirigido ao executivos responsáveis por definir os processos de tomada de decisão nas subsidiárias de cada uma das empresas. Os casos de estudo serão apresentados no capítulo seguinte.

Estudos de Caso: Neste capítulo, cada uma das multinacionais seleccionadas para este estudo será analisada em termos de história, organização, contexto de mercado e presença geográfica.

Discussão de resultados: Aqui interpretaremos os resultados obtidos através dos referidos questionários submetidos a cada uma das empresas seleccionadas.

Conclusões do estudo: Análise sumária da investigação e dos principais dados concluentes, abrindo horizonte para futuras investigações nesta matéria.

1. INTRODUCTION

1.1 Background and introduction

Internationalization has created many opportunities on the global market and various companies are adopting numerous entry strategies in order to leverage on the opportunities presented by the emerging markets. The increased rate at which companies are embracing the aspect of internationalization can be largely attributed to various key drivers in the market such as environmental forces, globalization, privatization, institutional changes, and scale related directions. Additionally, internationalization has been promoted by the ability of various countries opening up their borders and eliminating the trade barriers. These economic steps have boosted the process of internationalization through creating an open and free business environment for international companies. Additionally, other factors that have promoted the internationalization process are the technological advances being experienced and the fact that organizations that solely rely on the domestic markets are most likely to fail.

Despite the fast internationalization of various companies in a global scale, little emphasis has been placed on the internationalization of companies from the Middle East. This is can be explained by the fact that most of the literature regarding internationalization of companies place more emphasis on companies in the western world. The same feelings are also expressed by Ahmad (2014). As postulated by Ahmad (2014: 52), *“A voluminous body of study has focused on mobile Telco’s operating in well-established developed countries such as the United States, the nations of European Union and Japan. Little attention has been devoted, however to the internationalization processes from newly emerging countries, as in the Middle East and in particular in the gulf cooperation council.”* Another important parameter to consider, with specific regards to the internationalization process among companies, is the aspect of the challenges faced by various organizations in their efforts to expand the reach of their global operations. As postulated by Ahmad (2014), various companies undertaking global internationalization are faced with various challenges that hamper the effective rolling out of the internationalization process.

On the other hand, it is also important to comprehend the sources of strategic advantages of a multinational company especially in an emergent market. If we have multinationals that succeed is because they have strategic advantages over local companies. These advantages must be strong enough to justify the costs that a multinational has in comparison with a local company, in particular the adaptation of the products and services to the local markets as well as the coordination between HQ (headquarters) and the subsidiaries. Taking this in consideration, in order for a multinational to succeed, especially in an emergent market like Middle East, where we find a lot of alternatives in local companies, it is imperative that they protect their strategic advantages. So it is critical to leverage the decision making process of their subsidiaries, in one hand to protect the company's global strategy, in another to be able to achieve a high degree of competitiveness in the local markets. This immediately transports us to the paradigm of centralization or decentralization of the decision making in a subsidiary. Is it centralized or decentralized in regards to companies from this geography?

Given the above contextual analysis, regarding internationalization of companies in foreign markets, and the way they manage their local operations, this research analyses the subsidiary management process in the general context and the global Arab company scenario specifically. This research also includes various tenets, axioms and precepts that dictate the subsidiary management process and how it is managed from Arab companies. Specifically, this work critically evaluates the subsidiary management of ICT (Information and Communication Technologies) companies in United Arab Emirates, Jordan and Egypt.

The aim of the investigation will be achieved with four case studies. Additionally, the research incorporates a qualitative data collection in which a total of four C-Level executives¹ were invited to fill out a structured questionnaire in order to determine their responses and understand the level of autonomy of their respective subsidiaries.

¹ A C-level executive is a high level management executive of a company, responsible of making a wide range of corporate and strategic decisions related to the field is dedicated to. The "C" stands for "chief".

1.2 Macroeconomy and geography of Middle East

According to Abed and Davoodi (2003), the Middle East is an economically diverse region. It comprises countries with common traditions at various stages of economic development. Economic prospects in the Middle East region remain grim. A combination of refugee inflow, civil war, terrorist attacks, and cheap oil prices keep the spiral of slow growth (Abed & Davoodi, 2003). On the parameters of globalization, the Middle East has a relatively weak integration with the world economy. Some factors affecting the growth of the region are the high population growth, low productivity, under-developed financial market, inequitable and inefficient educational system, inappropriate exchange rate policies etc.

We can say that the Middle East, besides being a region that is economically diverse, MENA (Middle East & North Africa) is having a common heritage, common challenges and a different level of per capita income (Abed & Davoodi, 2003). Central planning is dependent on those regions, which are rich in oil reserves, while other regions are responsible for the developmental strategies for the region. When there was boom in the oil prices, immense wealth was generated in the MENA region. Growth and investment activities were exploding in the oil exporting countries. Rate of gross capital formation was also good during the time when the prices of oil were high. But, looking at the MENA region over the last two decades, then it can be said that the growth rates have been declining. Moreover, these countries fail to create employment opportunities within the region (Abed & Davoodi, 2003). As the economic conditions deteriorated day by day, it created the pressure for undertaking economic reforms. During the mid-1980s and 1990s, many economic reforms were undertaken within MENA. Application of VAT (Value Added Tax) was the outcome of the fiscal reforms of the region. Instruments relating to the indirect monetary policy were introduced to liberalize the international trade policy of the region. FDI (Foreign Direct Investment) was encouraged and relevant trade regimes were diluted so that trade and commerce within the region could be promoted on a global basis. Exchange rates were revised so that more flexibility could be imparted (Abed & Davoodi, 2003).

According to the World Bank Report (2016), the Middle East covers an area of over 5 million square miles (World Bank Group, 2016). The Middle East physical geography has a vast desert, named Sahara Desert, across North Africa. Middle East is better served by rainfall, rich agriculture in the other areas. Politically, the Middle East includes sixteen states named Egypt, Saudi Arabia, Jordan, Yemen, Qatar, United Arab Emirates (UAE), Turkey, Bahrain, Kuwait, Iran, Iraq, Syria, Turkey, Lebanon, Oman, and Israel. In the present scenario, North Africa and the Middle East are in turmoil. Syria, Libya, Yemen, and Iraq are currently going through a civil war (World Bank Group, 2016). Due to this war, 15 million people were obliged to flee their homes. This is emerging out as the biggest refugee crisis after the World War II. Blockades as well as repeated cycles of brutality and violence have resulted in to the highest unemployment rate in Gaza². The GDP (Gross Domestic Product) of the nation is only 40% of its potential capacity. Egypt, Jordan and Morocco are going through security concerns within their nations, due to which, there are hurdles in the promotion of internal growth policies. Global growth is quite disappointing in the Middle East. In January 2016, forecasted growth rate was 2.6%, which has to be revised down as per the present scenario. Economic outlook of the countries includes civil wars, cheap oil, terrorist attacks and refugee inflows (World Bank Group, 2016).

There have been various efforts associated with decentralization in the countries that are still developing in the recent decades. These efforts have further led to an extensive literature on the cause, as well as, on the consequences of centralization and decentralization. In the case of MENA, the region has lagged behind other regions in terms of decentralization. Some unique socio cultural and socio-economic characteristics can be found in the MENA region. Some of the most relevant characteristics are dependence on the oil revenue and the high population growth rate. The growing population, within young people, is becoming a large part of the workforce in the organizations of Middle Eastern companies. The young population of the MENA region has been structured by this demographic explosion. Moreover, the region has also been

² Gaza is a small territory, in the Middle East, governed by the Palestinian Authority, located in the eastern coast of the Mediterranean Sea with borders with Israel and Egypt.

impacted by some internal and external conflicts that have affected the overall performance of the countries. There are some recent studies that have focused on the comparative analysis of the similarities and differences between the decentralization and centralization efforts but studies are lacking related with the MENA region. This is mainly due to the absence of appropriate information and data about centralization and decentralization efforts in the countries of this region.

There is an endless debate between choosing centralization or decentralization and it remains one of the most important concerns of the companies in the MENA region. The functional heads from across the globe agree with the same fact. The managers face problems in most of their business decisions. Sometimes centralization presents itself as the solution, while in others, decentralization efforts, are in the same measure, useful for solving the problem. It is however extremely difficult to integrate the centralization and decentralization efforts. One of the low cost solutions to many of the organizational issues is decentralization as it helps in accomplishing the tasks in less time. On the other hand one of the perspectives says that centralization is the low cost solution as all the resources and efforts are concentrated at the same place (Center for Constitutional Transitions, 2011).

A report by the International Idea Institute for Democracy and Electoral Committee has specifically focused on the need of decentralization for the countries in MENA region. The report argues that the MENA region companies are suitable for the decentralization because of the characteristics of the region. The report focuses on the fact that rapid changes in the overall economic, social, and political infrastructure have gradually affected the centralization and decentralization efforts. The report has also focused on the range of reasons behind the suitability of decentralization in the organizations of MENA region. Such as, the companies in these regions are focusing on becoming democratic in nature rather than being authoritative, therefore, decentralization is one of the most effective solutions for this purpose (Center for Constitutional Transitions, 2011).

Moreover decentralization has also the potential to offer benefits to the MENA region such as improved quality of products and services, as the decentralized units of the organization will individually focus on satisfying the needs of the customers. This service delivery of the organization will comparatively improve and it will be easy for the managers and leaders to manage the activities at a large scale. Another reason highlighted in the report by International Idea Institute for Democracy and Electoral Committee is that the demand of the region is growing day by day with the growing population and it will be difficult to manage a growing demand, along with a wide range of organizational functions and activities, with centralized units.

The decentralization will also help the organizations of MENA region to allocate the resources evenly across the organization and hence utilizing the resources optimally along with achieving cost reduction. The resources of the organization are one of the most important aspects that need to be managed effectively so that the organization can achieve its short term and long term objectives. This will improve the overall efficiency of the organizations of the entire sector including the manufacturing sector, service sector and the trade sector. The decentralization in the MENA region will help the organizations with the benefits of democratic citizenship that will be achieved with the help of decentralization efforts. It will bring together the people of the organizations by promoting a healthy competition among them. This will improve the overall efficiency of the organizations. The people in the organizations will be obliged to serve the customers in an effective way. Moreover, accountability of the organizations in the MENA region will also increase, and accountability is one of the most contributing aspects in terms of success of the organization. At the lowest level of the organizations, the employee participation will increase along with an improving level of accountability among the employees of all levels (Center for Constitutional Transitions, 2011).

1.3 Research problem

From the above contextual analysis, it is evident that there is an increase in the process of internationalization among various companies on the global scale. However, as earlier stated, little emphasis is placed in analyzing the process of internationalization of

companies from emerging economies such as the Middle East. For instance, the Arab world constitutes a major chunk of global business and yet does not receive the same treatment meted to the global internationalization process, thus creating and sustaining diseconomies of scale, which adversely impacts global economies. Additionally, the process of internationalization is characterized with various uncertainties and risks due to volatile markets as well as political uncertainties and economic instability.

The above analysis underscores the fact that most companies are faced with a myriad spectrum of challenges in a bid to undertake the internationalization process. This dissertation will critically undertake an analysis of the subsidiary management process of four ICT Arab capital companies to determine whether they centralize or decentralize their decision making processes.

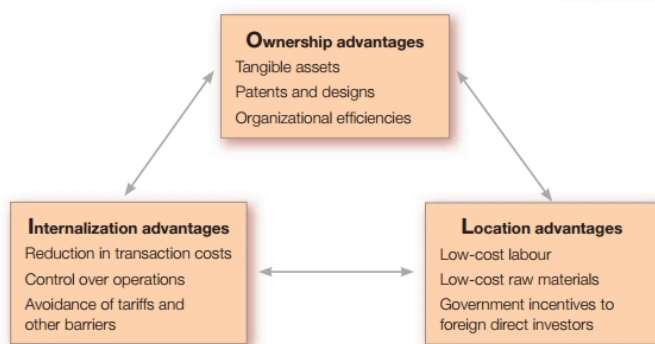
2. LITERATURE REVIEW

2.1 What leads to the creation of a subsidiary?

Dunning's eclectic paradigm, Ownership, Location and Internalization (OLI) Advantages has been one of the best and influential frameworks that is used for investigating the determinants of FDI. There are however some limitations that are also accepted by Dunning himself. The paradigm is discussed below briefly.

John Dunning (1993) introduced an eclectic paradigm that sought to develop a general theory explaining the production that is foreign owned along with focusing on the contributions of some earliest theorists that included the theorists of international trade and MNE's (Multinational Enterprises). Dunning called this paradigm "eclectic" as this paradigm helped in bringing together the concepts from a diverse range of research strands. The research strands included the 1) Ownership advantages (O), 2) Location advantages (L), 3) Internalization theory related to MNE (I). This formed the OLI paradigm. It is a paradigm that covered all the different types of foreign production by companies in the countries. The figure below shows the three elements that are conceptually different but interacting with each other (Margardt, 2009).

Figure 1: Dunning's eclectic paradigm



Source: (Margardt, 2009)

The first element is the ownership advantage, which indicates that contemplate foreign production will have the advantages of ownership that are unique to itself. The ownership advantages are the specific assets that can give advantage to companies, home or abroad. The assets may be tangible or intangible in nature. The tangible assets can be in products, for example, whereas the intangible assets can be the “*know - how*”. The advantages can be the abilities and capacities associated with generating innovation and innovative products and services. The assets also include the research capacity, property rights patents, skilled staff and the financial know how along with an ability to realize the management skills, scale economies and marketing. These assets are used by the organizations to be able to differentiate themselves from other organizations in the industry. The ownership advantages occur particularly in countries with high level of skills related to technology as well as the skills that have potential to benefit the companies of the country. The organizations that have the ownership advantages can also choose to sell the advantages for the right use. The organizations which manufacture its patented products, license the foreign firm for their use. Alternatively, the company can also add value by realizing and exploiting the benefits of ownership advantages (Rugman, Verbeke, & Yuan, 2011).

Dunning focused on the internalization theory that further examined why the organizations do not rely on the market and choose only to control and own the value added activities. Companies perceive that in the case of the cross border activities, the cost benefits will arise if the activities are controlled by the organizational means. Hence, the activities can be internalized, along with reducing the transaction cost that could have otherwise increased. The greater the advantages of the “*Ownership advantages*” are perceived, the greater are the incentives that can be internalized.

The ownership advantages, as an example, are crucial for companies such as Dyson³. The patented products and designs of the company are kept in-house. Apart from the advantage of avoiding or reducing the transaction costs, the company may decide to

³ Dyson is a company founded in the UK specialized in the development, design and manufacturing of household appliances (Dyson, 2017).

internalize its activities for a number of other reasons such as to control the market outlets, control the sales conditions, for avoiding the tariff barriers that are imposed by the government or to minimize the fear of suppliers that they will not produce the right quality of products or services. The company may also have a fear that its technology may be transferred to its potential rivals and the existing rivals. In essence, there are number of major risks associated with the foreign production, therefore internalization seems to be a good option (Rugman, Verbeke, & Yuan, 2011).

The element of location advantage highlights the differences between the possible host countries and the home country. The factors that are considered while looking for the location advantages are the cost of labor, resource endowments, investment incentives and the presence of support services that might be offered by the government of the respective state. In addition, if a company wishes to sell its products in another location that is foreign, then the characteristics of the market and its size are two important factors. The eclectic paradigm given by Dunning provides an effective framework that is designed to explain the foreign value added activities rather than just focusing on the normative issues. Nonetheless the strategic framework does not consider the strategic goals or the MNE strategies (Rugman, Verbeke, & Yuan, 2011). The framework also argues that a firm at any moment can face the configuration of the OLI variables and it can respond by engaging in actions such as market positioning, political lobbying, technology creation and intra firm pricing etc. (Margardt, 2009). These actions collectively can change the intensity of the exogenous variables that a firm faces and that can influence the competitive position of the company in the market (Bartlett, Ghoshal, & Birkinshaw, 2007).

The OLI paradigm serves as an aid to the companies by assessing the costs and benefits of the foreign production. The concepts of the framework can also be used to assess the broader issues that may impact the MNE activity in host countries. Dunning explored the economic consequences of the Foreign Direct Investments along with the behavior of the MNE's so that economic development can be achieved. Dunning predicted that the outward FDI of companies from a country vary in terms of the level of development. It is

a general tendency the fact that companies of a country can be internationalized over time (Margardt, 2009). Dunning also argues that the paradigm can be considered as an alternative theory related to the international production that focuses on the mainstream explanations. This is the reason why the framework is known as the paradigm rather than the original theory. The view that the eclectic paradigm, given by Dunning, is a unique explanation of international production is however not universally accepted.

Previous researches have demonstrated that managers should carefully investigate the institutional environment of the country so as to the taking of decisions associated with internalization. The government should however focus on improving the overall institutional framework of the country. The Dunning's framework was one of the influential contributions that extensively focus on the institutional infrastructure.

Dunning's Eclectic paradigm used a holistic but a specific empirical framework that can be used for taking the decisions associated with international investments. The Dunning's model not only captured the company specific ownership advantages and the location economic advantages but it also critically focuses on the institutional environment. The evidences of literature review related to the international business have highlighted a number of reasons behind why an organization engages into the international business activities (Dunning, 1988).

One of the major criticisms of the eclectic paradigm is that the paradigm includes a number of variables because of which the paradigm lost its operability. Dunning (1991) also accepts that the OLI paradigm did not fulfill the dynamic interaction between the variables. The solution to this particular paradigm is the Investment Development Cycle, or Path, that was also introduced by Dunning (Dunning, 2000).

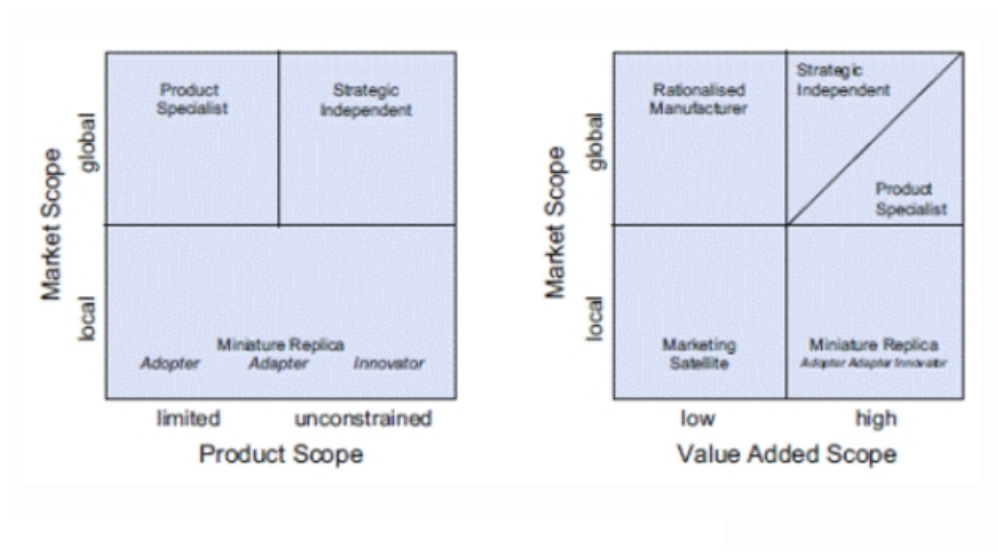
2.2 Typology and management of subsidiaries

2.2.1 Role typology by White and Poynter

As per Dirk Morschett, Hanna Schramm-Klein and Joachim Zentes (2015), a more complex role typology was suggested by Poynter (1989) in which they described the role

of a subsidiary along with the three dimensions named: market scope, product scope and value added scope. Market scope refers to the geographical markets where a subsidiary is allowed to be active. This typology applies a dichotomy between the “local” and the “global” (Morschett, Schramm-Klein, & Zentes, 2015).

Figure 2: Role of a subsidiary in three dimensions



Source: (Burton, Cross, & Chapman, 1999)

The product scope refers to a particular range of products that a subsidiary manufactures or sells. In this case, the distinction can be made with limited scope in which there is a single product, and second is an unconstrained scope in which the subsidiary has a number of product lines and it is also allowed to introduce the new product extensions.

The value added scope is the next scope of the subsidiary. The value added scope particularly describes the range of the value added services. The value added scope defines whether the subsidiary is associated with a single value added function such as production, R&D (research and development) or marketing, or the subsidiary realizes a wide spectrum of value added services in the host country.

White and Poynter (1984) also explains that these dimensions are influenced by each other and with other competitive forces that can be both local and global. The three

dimensions namely: market scope, product scope, and value added scope can be combined effectively to establish the five kinds of role of a subsidiary.

A host country market is served by the miniature replica with the help of comprehensive value added functions. The scope of the product can however vary with the different product lines. Miniature replicas are similar to the design structure of the HQ. The role of miniature replicas is adopted due to the local demand preferences, production subsidies available in the host countries, the high trade barriers or because of small scale effects in the production that further disturbs the production in the industry. The role of the miniature replica is considered as a common role. The miniature replica might innovate, adopt, and adapt depending on the scope of the product, autonomy and the creative activity.

The marketing satellite is exclusively involved in serving the local market but it typically focuses on the major value added functions such as marketing and sales. In this role, the scope of the product can vary. The products that are produced in a home country are sold and imported in the host country (Burton, Cross, & Chapman, 1999).

The rationalized manufacturers play another role that is responsible for a broad geographical area but is limited to only a few added functions. The rationalized manufacturers are the manufacturers of the few products for the world market (Burton, Cross, & Chapman, 1999).

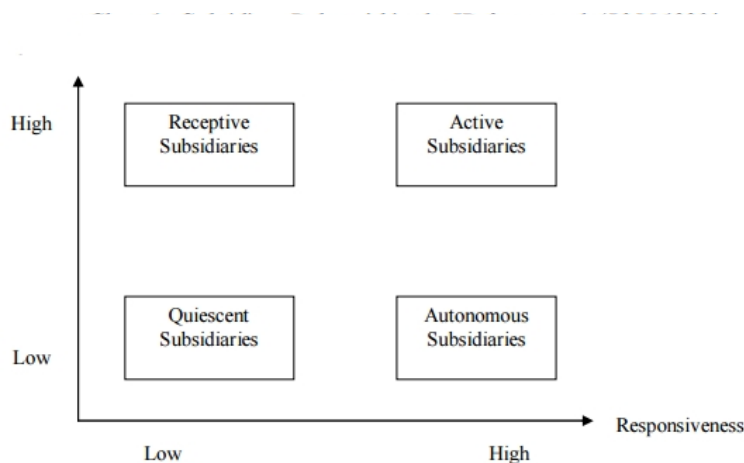
Product specialist is another role that has the worldwide responsibility associated with a single product line or a product within the MNE, along with realizing the full value added value chain for a product. The subsidiary also has the world product mandate. This particular role emphasizes on the other role typologies. This role is considered to have an autonomy associated with the decision making but there is also a high level of interdependency with other unit's. There is an unlimited autonomy. The empirical value of this particular role is very high but there are some controversies associated with the same. There are some authors who argue that because of many of the strategic reasons,

organizations do not assign the subsidiaries with notable expectations and broad responsibilities. And doing so, this particular role is filled by the HQ (Burton, Cross, & Chapman, 1999).

2.2.2 Role typology by Jarillo & Martinez

As per Morschett, Schramm-Klein, & Zentes (2015), Jarillo & Martinez stated that MNE's following a global strategy alone does not determine the subsidiary level. According to them, the level of local responsiveness and integration widely differ within a particular MNE. The reason behind this is that the forces for global integration and the forces for local responsiveness vary from country to country (Morschett, Schramm-Klein, & Zentes, 2015).

Figure 3: Subsidiary roles within the IR-Framework (J&M 1990/Taggart 1998)



Source: (Jindra, 2005)

Martinez and Jarillo (1989), also distinguished between different global companies which are characterized by a high degree of centralization and the multinational companies that have a great deal of latitude and enjoy a doctrine associated with a certain "*laissez-faire*"⁴. Martinez and Jarillo (1989) have also critically studied the control mechanisms with the help of literature review. The findings in the literature review reveal that the

⁴ "*Laissez Faire*" is a French expression that literally means "let you do".

mechanisms that are used by the multinationals are evolved over the time and have focused on the structural and formal tools that were initially used to appreciate the informal form of coordination.

Jarillo and Martinez (1990) built their typology in context of the geographical localization of the activities that are localized, along with a degree of localization across the network. Jarillo and Martinez (1990) suggested that a subsidiary can follow an autonomous strategy in case it carries out most of the functions of the value chain, in such a way that it is completely independent from its parent organization as well as other subsidiaries. The subsidiary follows a receptive strategy if some of its functions are executed in the country along with being integrated and aligned with the rest of the company. It is said that an affiliate is following an active strategy if the activities are located in the country and they are carried cooperating with the rest of the organization. Jarillo and Martinez conducted a field study involving 50 foreign affiliates that help them in identifying a group of three subsidiaries, in which, one corresponded to the autonomous strategic type whereas the other two corresponded to localization of activities along with being highly integrated. Hence, it was hard to identify an active or purely receptive group of subsidiaries.

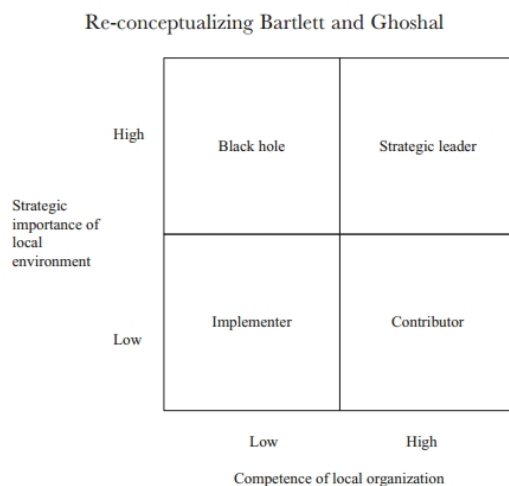
There is an inconsistency between the dimensions of geographical localization and the proxies that were used to measure the dimensions of geographical localization. Taggart (1998) also criticized the typology of Jarillo and Martinez as it does not typify the subsidiary role in case of the low integration and the low responsiveness variant. Therefore, one more strategy was included in the Jarillo and Martinez typology and it is known as the “*quiescent*” strategy. This strategy was included in the low responsiveness and low integration quadrant. A study was conducted with 171 subsidiaries, from the United Kingdom, and it was found that quiescent role existed after an empirical analysis. This role is considered to be close to the autonomous role in context of responsiveness and integration. Taggart (1998) accept the fact that there are major differences in the measurement of the dimensions that are associated with responsiveness and integration. The study conducted by Jarillo and Martinez also reveals that the integration level is high,

in the case of the Spanish subsidiaries, especially in context of receptive and active subsidiary types (Taggart, 1988).

2.2.3 Role typology by Bartlett and Ghoshal

The Bartlett and Ghoshal (1986) typology is basically based on the two major dimensions such as the strategic importance of the environment; these can be termed as the location advantage and the competences that can be termed as the company specific advantages. The company specific advantages are held by the national organization whether acquired by the subsidiary itself or transferred from the MNE network. The strategic importance associated with the local environment is heavily dependent on the performance and MNE strategy. The markets that are particularly sophisticated and large, are of high strategic importance for the MNE (Bartlett & Ghoshal, 1986). In the context of the national subsidiary competences, Bartlett and Ghoshal have acknowledge that the strategic importance can be in terms of marketing, production, technology or any other area. Building the two parameters, Bartlett and Ghoshal (1986) have defined the four general roles for the national subsidiaries. These are: (a) strategic leader – this indicates the competences and the strong location advantages (b) implementer – this indicates the competences and weak location advantages (c) contributor- this indicates the strong competences and the weak location advantages (d) the black hole – this indicates the weak competences but the strong location advantages. These roles effectively reflect the functioning associated with the “*transnational solution*” (Bartlett, Ghoshal, & Birkinshaw, 2007).

Figure 4: The generic roles of foreign subsidiaries in Bartlett and Ghoshal (1986)



Source: (Rugman, Verbeke, & Yuan, 2011)

The national subsidiaries have a diverse range of independent roles in a MNE network that depend on the access associated with the internal competences and the country-specific location advantages that collectively determine the relative autonomy (Bartlett & Ghoshal, 1986).

The popularity and applicability of the Bartlett and Ghoshal typology has been reflected in the recent literature. The international business literature has suggested that there should be some conceptual improvements (Rugman, Verbeke, & Yuan, 2011). There are several facilitators associated with the internationalization such as an improved internal coordination with the specialized subsidiaries, an easier access to MNE and different location advantages for the host countries (Bartlett & Ghoshal, 1986). Hence, the companies can deliver the fine sliced activities associated with the value chain, optimize the location of activities, along with coordinating with the cross border activities, and de-internalizing the business functions that are less important and critical, or their bundling is difficult (Bartlett, Ghoshal, & Birkinshaw, 2007).

There are a number of national subsidiaries that specialize in the narrow activity sets in a value chain where the external resources are effective and feasible along with the bundling of internal competences and hence several roles of a particular value chain can be fulfilled effectively (Bartlett, Ghoshal, & Birkinshaw, 2007). This issue is however not recognized in the typology of Bartlett and Ghoshal. The above figure shows us that the typology acknowledges the national subsidiary roles and the aggregate subsidiary roles while not focusing on the other issues. Thus, the typology can be implemented in the cases where a specific national subsidiary is acting as a leader for sales activities and is also an implementer of the R&D. The typology suggested by Bartlett and Ghoshal may need to be refined because it only addresses the aggregate subsidiary roles and bundling process (Rugman, Verbeke, & Yuan, 2011).

2.3 Centralize or decentralize the decision making in a subsidiary

According to the Rugman, Verbeke, & Yuan (2011), every subsidiary follows a structure for decision making. The structure is categorized into two types named: centralized structure and decentralized structure. Centralized structure means that all the planning power remains with the top management, while decentralized structure means the power is disseminated by the top management to the lower level management (Rugman, Verbeke, & Yuan, 2011). Centralization of the decision making does not have any relationship with the performance. The decisions associated with the foreign subsidiaries can be either centralized or decentralized. At an organizational level, an extensive parent company with vertical integration, experiences that centralization is a better option for the subsidiary (Morschett, Schramm-Klein, & Zentes, 2015). On the other hand, the scope and scale of the international business indicates that decentralization is a better option in the context of decision making. In the case of the organizations that are operating in an unstable market environment, a centralized decision making is recommended along with a culture focusing on the authority and power. If in case there is an intense market competition then, decentralization is a better option and it should be considered by the subsidiaries (Rugman, Verbeke, & Yuan, 2011).

Every organization spends a significant time in strategy formulation. Success of the strategy is assured through excellent business results. Scarce resources of the organization need to be utilized smartly so that the objectives of the organization can be achieved. Successful leaders always coordinate with the working force of the organization. It helps in sharing the decision making process within the organization. Through this, employees can participate in the decision-making process. It improves the performance of the employees (Rugman, Verbeke, & Yuan, 2011). It helps the managers to use the first-hand information while formulating the policy for the organization. Ideology and thinking of the different personnel are combined through the decentralization process. Performance of the organization depends upon the external environment as well as on the internal environment. Organizational structure is regarded as one of the key components of the business operations. It directly impacts the decision

making and the working of a company. Architecture for collection of the relevant information within the organization is dependent upon the structure of a company. It decides how information will be transferred and communicated from one level to another. It also alters the decision making quality within the organization (Rugman, Verbeke, & Yuan, 2011). Under the centralization concept, decision making is based in the HQ of the company. In this way the resources and efforts are also concentrated. While in a decentralized structure, decision making process, accountability and responsibility is transferred to the managers and superiors of the company. Communication flow in centralized decision making is vertical whereas communication flow in the decentralized organization structure is open and free. Decision making process is comparatively fast in a decentralized organization structure as compared to the centralized one.

It has been observed that large size organizations generally prefer to have the decentralized organization structure. Many multinational organizations have now started functioning on the basis of the differentiated networks. Now, organizations prefer to have a network based organization structure, rather than having the hierarchy within the organization. Network based organization structure is promoted by the decentralized organization structure (Rugman, Verbeke, & Yuan, 2011). According to Guerini (2006) the decisions associated with centralization and decentralization are crucial in context of a number of activities. The author highlighted the reasons for the same; first, these decisions are the boundary functions that are responsible for keeping the organization in line with the customers and market conditions. Effectiveness of the organization depends on its ability to match the decisions to the facts that are associated with the marketplace, along with adopting the new conditions. In this way the organization can come close to the customers as well as the employees related to important activities. That is to say, decentralization improves and fosters the responsibility, initiative, flexibility, and decision making. These are the qualities that are crucial in context of adapting to new situations. The author also highlights the fact that there are a number of functions that can be reaped only through the centralization of the functions. An effective use of centralization and decentralization is essential for maintaining the competitive prices and competitive cost structure. Secondly, the developments of the organizational environment

and the external macro environment have made it difficult to integrate centralization and de centralization (Guerini, 2006).

With the increasing importance of globalization and international dimension, decisions related with the extent of centralization and decentralization of the various aspects such as product line, communication, prices, have changed. The centralization versus decentralization of these programs critically reflects the differences in the country in terms of regulations and culture.

The challenges and tensions associated with centralization / decentralization are critical aspects of the strategic agenda for many of the organizations. The centralization versus decentralization decisions is important in case of developing the subsidiaries, as the major task is to develop and implement the programs such as marketing programs and human resource programs across the company. In addition, a number of skills and resources are also required for doing the same. The author emphasizes on the fact that in case of a multi-domestic multinational approach, the decisions related to centralization and decentralization are crucial (Tosun & Yilmaz, 2011).

In essence, it is important to highlight that centralization versus decentralization is one of the important key decisions for benefitting all the aspects of organization along with maintaining an ideal balance among the functions of the organization. The concept of “*ideal balance*”, according to the author, is complex but a straightforward method that should be effectively identified and applied. Centralization and decentralization should not be used alone as both of these are not fully capable of managing the vast operations and activities of the organization while satisfying the demands of the customers (Brauch, Behera, & Kameri-Mbote, 2004).

The extent of centralization and decentralization will depend on strategy that is pursued by the particular organization along with the skills and resources possessed by the organization. In context of the above discussion Jagadith Sheth (1992) also indicates that there are some specified forces that are collectively making a borderless world and the

national boundaries are eventually becoming obsolete in context of determining differential marketing practices. The contextual determinants that define the discipline of international marketing are going out of their boundaries along with bringing a radical change in the organizational activities and decision making. The economic world is becoming borderless and global in context of labor, trade, information, and private investment, which can be substituted by some intra-national differences (Cummings & McCaskey, 1992).

Especially the large companies, try to find a balance between flexible local entrepreneurial structure and the traditional hierarchical structure since many years. The increasing global pressure has made it essential for the multinational enterprises to be locally responsive and globally integrated at the same time. Hence the role of centralization and decentralization becomes important for the organizations (Campbell, Kunisch, & Müller-Stewens, 2011).

Paik & Sohn (2004) have also focused on the same concept and highlighted that organizations should give efforts to achieve a hybrid of localized economy and the centralized control. In this context, the efforts of Toshiba⁵ have been outlined in the study conducted by Paik & Sohn (2004). Regardless of the structure chosen by the organization, they can be placed in the continuum between the decentralized and centralized management. A centralized structure is particularly slower to respond to the rapidly changing market conditions; the only advantage of such system is that it provides control and stability. On the other hand, a decentralized structure provides the autonomy to the business to make the decisions on their own along with rapidly responding to the changes in the environment. In the case of decentralization, the decisions may not be in line with the strategic objectives and ethics of the parent organization. The author focuses on the point that there are many business decisions that involve conflict between ethical treatment of environments, customers, and employees, and the decisions that are related to make money. The organizations that are centrally managed align their decisions to the

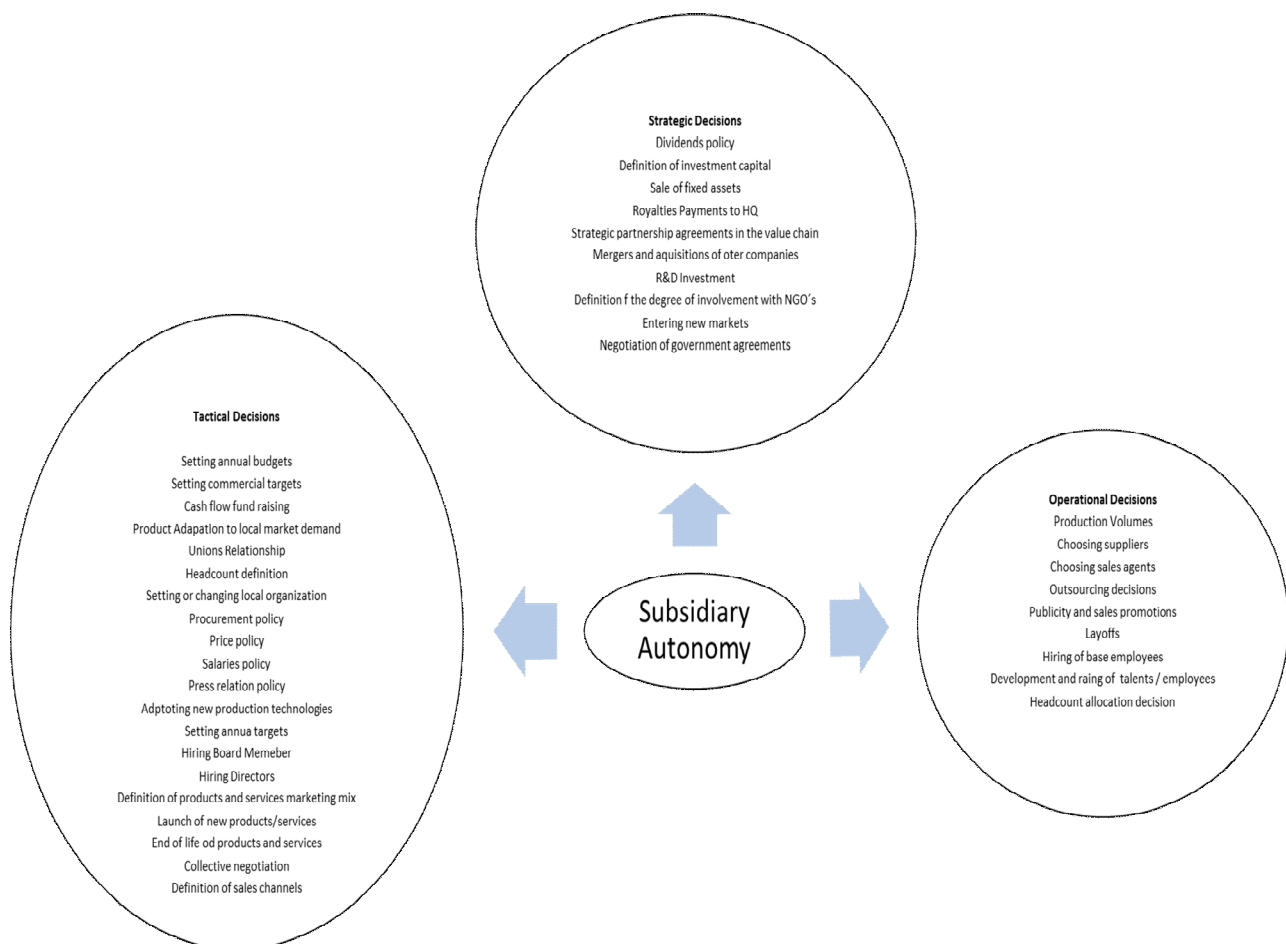
⁵ Toshiba is a multinational Japanese manufacturer of semi-conductors, home appliances, and ICT products.

universal corporate code of conduct. Autonomous subsidiaries make the decisions that are reflective in nature, and are of local cultural values. The risk to the parent organization in this case is that such decisions can severely affect the values of the shareholders. The centralized and decentralized management structure have their own advantages and disadvantages, therefore organizations have to take this decision effectively. The focus of the organizations must be on choosing a structure that is suitable for their organizational objectives and values. It is however recommended by many of the authors that a combination of both of these aspects should be used, so that different types of objectives can be effectively fulfilled in the organization.

3. RESEARCH METHODOLOGY

In this dissertation, we propose ourselves to study the decision making process at the subsidiary level, with focus on real cases from the Arab region corporate scenario, and understand how their operations are being managed abroad in order to find if they follow a common trend. So, the sample used as the base for our analysis consists of four ICT companies from the Arab region. We look to find an answer to the following question, regarding these companies: Do they centralize or decentralize their decision making while managing their subsidiaries? We established three types of decision autonomy axis to seek answers to our study. Strategic, Tactical and Operational decisions.

Figure 5: The three framework axis of subsidiary autonomy



Source: (Prepared by the author)

The higher is the level of autonomy the subsidiary has in these three axis, the more decentralized the decision making process should be.

We cannot find a clear agreement in the existing literature with regards to which types of decision, showed in the above framework, can be more or less centralized. This may depend, or not, of the subsidiary competences and the overall strategy of the company.

Porter's value chain, offers in a functional and operational perspective: development, design manufacturing and marketing capacities. All of these aspects were taken in consideration by Taggart and Hood (1999), even do manufacturing did not achieved a real statistical significance. The other two important indicators of capacities are the size and the experience of the subsidiary (Simões *et.al.* 2002). If we take in consideration several approaches to the development of a subsidiary, time is crucial in order to establish the subsidiary viability and after to build long term sustainability (Birkinshaw and Hood, 1997). Research by Delany (1998) also suggests a trend associated to the subsidiary experience, as well as the R&D (Research and Development) laboratories research (Pearce and Papanastassiou, 1996; Pearce, 1999). The degree of influence of subsidiary capabilities may be generally considered as positive in regards to achieve a high degree of decentralization of their decisions. However, it is important to note that this relationship may not have a direct correlation as the MNE groups can take the decision of having have a higher degree of control of their subsidiaries (depending on their global strategy) despite their size, experience, performance and competences (Simões *et al.* 2002).

Having these considerations in mind, we will analyze in detail the three axis showed above in order to understand which types of decisions, were more or less centralized or decentralized, in regards to our case studies.

This study will follow an inductive tradition involving the process of first establishing the observation and later making a conclusion based on theory. The methodology used in this

study will be multiple case studies. We are fully aware of the limitations of this work. The fact that we have a small sample of companies in a specific geographical area and in a specific industry poses the major limitations that we face, but nevertheless allow us to position our work as a starting point for further investigations.

Research setting is mainly focusing on various aspects such as the application of the results obtained and the geographical region in which the data was collected, Babbie (2010), states that, a research setting involves the population used, the geographical niche in which the population was selected and the applicability of the research findings. The main purpose of this study was aimed at evaluating the aspect of managing subsidiaries of companies from Middle East scenario with a specific emphasis on the ICT industry. This underpins the fact that, the results obtained are going to be solely applied to companies located in the Middle East Region. However, the results obtained have been drafted in a manner that they can be applied to other international organizations from other geographies.

In most cases, research delimitation defines the scope of a research in terms of the sample population. For example according to Simon (2011: 2), *“The delimitations are those characteristics that limit the scope and define the boundaries of your study. The delimitations are in your control. Delimiting factors include the choice of objectives, the research questions, variables of interest, theoretical perspectives that you adopted (as opposed to what could have been adopted), and the population you choose to investigate.”* Research delimitation is based on the definition of research objectives which later gives focus for undertaking the research. For instance, the prominent focus of the research was to critically analyze the concept of centralizing or decentralizing the decision making of companies from the Middle East.

The major limitations in undertaking of the study were time limitation as well as limitations associated with the research findings. The research was undertaken in less than six months which presented a limitation in time, given the massive weight of the research topic. Also, the research findings presented some limitations in the sense that the

research was solely concentrated in collecting data from four C-Level executives and decision makers from these four companies. Each one of these participants was given a questionnaire (that we will further analyze in the results chapter).

As a good research practice, ethical considerations were undertaken in order to ensure that the research complied with the stipulated ethical considerations (Pimple, 2008). The following ethical considerations were considered during the undertaking of the research:

- Subjects participation in the research was voluntary and upon the consent of the subject. No single participant was forced to participate in the study and no monetary solicitation was given to participants or any other favors whatsoever;
- The participants were informed about the overall purpose of the research as well as the duration of the research that was undertaken. This ensured that the participants were aware of the objectives of the research as well reducing any chances of biasness. Also, informing the participants about the purpose and duration of the research ensured that the participants were able to fill in the questionnaire within the stipulated time frame;
- No participants data was distributed to a third party or used for any other purposes apart from the purposes indicated in the research questions.

4. CASE STUDIES

4.1 OFFTEC INTERNATIONAL

4.1.1. Company presentation

OFFTEC International is a company from the Middle East specialized in business technology solutions. They are “*committed to providing optimal solutions and to delivering innovative ventures so it creates sustainable value to its customers and stakeholders.*”(OFFTEC, 2016).

The company was created in Jerusalem in 1910. OFFTEC has a high expertise company in the field of IT solutions operating in the domains of Banking, Infrastructure, Networking, Plastic Card and furniture solutions.

4.1.2 Shareholder structure

OFFTEC International is part of the OFFTEC Holding Group, a company stock market listed in Jordan (ASE:OFTC). OFFTEC Holding Group, holds a total capital of 39.6 million JOD (Jordanian Dinar) (approximately 55 million USD), “*combines unparalleled experience and comprehensive capabilities across many industries.*” (OFFTEC, 2016).

4.1.3 Geographic footprint

The company has HQ in Jordan, with subsidiaries in Palestine, Iraq, and Sudan. With approximately 250 employees, the company continues to expand their operations further in the region.

4.2 SYSTEMS & ELECTRONICS DEVELOPMENT COMPANY (SEDCO)

4.2.1 Company presentation

SEDCO was founded in 1983. The company currently is involved in creating solutions related to a customer journey through the various touch points of customer interaction. SEDCO is a leading provider of “*Customer Experience Management*” (SEDCO, 2016) solutions with a unique mission of providing top ICT solutions to a variety of industries, including Telecom, Finance, Healthcare, Governments, Retail , Media, Utilities, and others. The company is producing from their own hardware up to their own enterprise

software business solutions that they entitled “*Customer Experience Management*” solutions (SEDCO, 2016): - “*Customer Visit Management System - Queuing Management - Customer Feedback Management - Central Management - Performance Management - Customer Identification - Self Service - Digital Signage.*” (SEDCO, 2016).

4.2.2 Shareholder structure

SEDCO is part of a joint venture with the Gobash Group, a leading investment group in the United Arab Emirates, being that the majority of the capital is privately owned by the founders and board members of the company and a smaller percentage owned by the Gobash Group that has a seat in the Board of Directors.

4.2.3 Geographical footprint

The company HQ is located in the United Arab Emirates, along with their production facilities. They have a subsidiary in Saudi Arabia that stands for more than 25% of their total revenue and another in Jordan which runs their R&D activities. They chose to run an indirect business model and they are providing advanced products and services to customers in more than 50 countries through a network of professional partners (SEDCO, 2016).

4.3 COMPUTER NETWORK SYSTEMS (CNS)

4.3.1 Company presentation

CNS is an Information Communication Technology (ICT) company positioning themselves as experts in the fields of systems integration and managed services. The company represents the brands and products of leading OEMs (Original Equipment Manufacturers) for ICT and Banking Solutions, specialists in their field. The company has more than thirty years of experience working across several industries and having a strong presence in the banking sector, CNS has a strong customer base “*with some customers relying on their solutions and services for extended periods.*” (CNS, 2016).

4.3.2 Shareholder structure

CNS is a company part of the Gobash Group. The Gobash Group was founded in 1981, a leading trading and investment firm based out of UAE with offices located in Oman, Saudi Arabia and Qatar. *“The group is privately owned, with focus on the growth of company through value creation.”* (CNS, 2016).

4.3.3 Geographical footprint

CNS operating has its HQ in the UAE, with subsidiaries in Oman and Kuwait, operating also in other countries through strategic partnerships.

4.4 RAYA IT

4.4.1 Company presentation

RAYA IT was founded in 1998. The company is operating in the domains of systems integration and IT business solutions. They are a leading ICT company, in the region, providing organizations with solutions that allow them to simplify their business operations and increase their day-to-day productivity and operations management. Their solutions are addressing business clients from different industries: telecommunications, financial services, government, real estate, general business and the oil and gas industry (RAYA IT, 2016).

4.4.2 Shareholder structure

RAYA IT fully owned by the RAYA Holding Group (RAYA.CA) stock listed in the Egyptian stock exchange since 2005.

4.4.3 Geographical footprint

RAYA has its HQ in Egypt with subsidiaries in Algeria, Nigeria, Tanzania and Saudi Arabia.

5. ANALYSIS OF RESULTS

The type of company and factors related to country, are the two significant parameters which decides whether the decision should be taken centralized i.e. at headquarter of the parent company or decentralized i.e. as at the foreign subsidiary. If these two parameters i.e. company type and country are ignored, while deciding the decision making type, may affect the financial performance of the parent company or subsidiary.

To review how decision making is performed in the Arab companies in relation to subsidiary, i.e. centralized and decentralized, the case studies of the four Arab companies described above has been analyzed.

In order to analyze the decision making type in the selected companies, questionnaires have been framed on the 3 axis, strategic, tactical and operational (in the annexes). In order to measure each of these parameters, qualitative questionnaires have been designed with answers consisting of the following 4-options:

- Decision taken exclusively by the subsidiary;
- Decision taken by subsidiary after consulting with HQ;
- Decision taken by HQ after consulting the subsidiaries;
- Decision take exclusively at HQ.

Respondent had to select one out of these four options, for each question, which would appropriately represent his organization.

The success of a business depends on the decisions taken by the company. There are three types of decision making in any organization. Strategic decision making, tactical decision making and the operational decision making are the three types of major decision making processes in the organization. The degree of autonomy to take the strategic decisions, tactical decisions and the operational decisions will be analyzed in the CNS, RAYA IT, SEDCO and OFFTEC individually.

5.1 Analysis summary from the interview

After framing the questionnaire, interviews have been conducted with top officials of the selected companies. We have met with the officials of these companies to understand the nature and type of decision making in their organizations. The interviews summary is given below (the answers of overall interview questions are given in the annexes) that will be followed by detailed analysis on each question:

CNS

To understand the decision making style of CNS, we have interviewed Mr. Tony Alam the Chief Operations Officer (COO) of Aban Investments, a subsidiary investment arm of the Ghobash Group.

The interview with the COO of the subsidiary arm of Gobash Group gives us the following implications about the decision making in subsidiary:

- Most of the important strategic or long term planning decision like dividend policy, investment capital, sale of fixed assets, and decision regarding merger and acquisition, have been taken exclusively at the HQ of the parent company;
- The strategic decision related to R&D and decision regarding involvement with local bodies has been taken exclusively by subsidiary;
- Tactical or short term planning decisions are mostly taken by the subsidiary itself without any involvement of parent company;
- And predominately all operational decisions are also taken exclusively by the subsidiary only.

So, from the interview it is found that decisions related to strategic initiative are taken centrally, whereas tactical and operational decisions are taken at the subsidiary level.

RAYA IT

In order to fulfill our research objective we have interviewed Mr. Hesham El Rassoul the CEO (Chief Executive Officer) of RAYA IT. The following points have been analyzed from the interview:

- All significant strategic decisions have been taken exclusively at the HQ of the parent company i.e. in Cairo;
- Majority of tactical or short term decisions have been taken by subsidiary itself, without involvement of the parent company;
- Majority of operational decisions have been taken at subsidiary premises.

So, from the interview with group CEO of RAYA IT, it is found that majority of strategic decisions are taken at parent company HQ, whereas decisions related to short term goals or tactical and operational decisions is taken by subsidiary itself.

SEDCO

For our study, we have met with Mr. Majdi Shawish, CEO of SEDCO. The main points of discussion from the interview were:

- Most of the strategic or long term planning decisions are taken centralized i.e. in the HQ of parent company;
- Majority of tactical or short term decisions are exclusively taken at level of subsidiary organization;
- Almost all decisions related to operations are taken exclusively by the subsidiary without interference from the HQ.

Similarly, like previous companies, SEDCO's decision making style is centralized for strategic decisions and decentralized for operational and tactical decisions. Also important to note the fact that, being a manufacturer, the decisions on R&D, production volumes, end of life of products and services are being kept in the HQ.

OFFTEC

In order to understand the decision making structure in the subsidiaries of the OFFTEC holdings, we have interviewed Mr. Jamil Daher, the CEO and Board Member of the company. The important findings from the interview are:

- The company uses mixed approach for making strategic decisions, like some decisions for examples royalty's payments to HQ is taken exclusively at HQ, dividends policy and definition of investment capital decision is taken at HQ with consulting from the subsidiaries;
- But in case of tactical decisions OFFTEC uses same approach as other companies, majority of important decisions are taken exclusively by subsidiary only;
- Similarly for operational decisions, the company has given freedom to the respective subsidiary to take their decisions exclusively at their own level.

5.2 Detailed analysis on the interview questions

5.2.1 Strategic decisions

These decisions are the most important decisions that have to be taken by an organization. They are the decisions linked with the overall environment in which an organization operates; this includes the people and the resources that form the company. There are some essential features of strategic decisions, such as, strategic decisions having a resource proposition for an organization. This kind of decision is concerned with the processing of the resources, organization of the resources and the reallocation of the resources. Further the strategic decisions involve a change as the organization operates in a dynamic environment. The strategic decisions help in dealing with harmonizing the opportunities and threats that are present in the environment. These decisions are highly complex in nature and are taken at the corporate level of the organization. In context of the strategic decisions, factors that will be analyzed are discussed below briefly:

Dividends policy – Dividend policy can be referred to as a set of guidelines that a company utilizes to decide on how the dividends will be paid to the shareholders.

Decisions in regards to the dividend policy are among the most critical decisions for the companies that have been taken up in this research.

Table 1: Interview answers on dividends policy

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries			x	x
Decision taken exclusively by HQ	x	x		

In CNS, the decisions associated with the dividend policy are taken at the HQ. This indicates that there is no degree of autonomy and the decisions are highly centralized. In RAYA IT also the dividend policy decisions are highly centralized and limited to the HQ. On the other hand, SEDCO involves its subsidiaries in the decision making i.e. there is a certain degree of autonomy. Similarly in OFFTEC also, the subsidiaries are involved in the decisions making associated with the dividend policy.

Definition of investment capital – The investment capital is associated with the issuance of securities to the bondholders as well as shareholders. It is an important aspect of the organization. Some of the organizations like to involve its subsidiaries in the decisions associated with investment capital whereas others do not involve the subsidiaries.

Table 2: Interview answers on the definition of investment capital

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ	x	x	x	x

CNS exclusively takes such decisions in its HQ. In other words, autonomy is inexistent in the organization regarding the decision making associated with investment capital. In RAYA IT also there is no autonomy regarding the investment capital decisions. In SEDCO also, the decisions of investment capital are highly centralized. In OFFTEC the subsidiaries are not also involved in the decision making associated with the investment capital.

Sales of fixed assets – Selling the fixed assets of the company are important decisions and determinants in the management of capital expenditure incorporating one of the financial ratios of the subsidiary.

Table 3: Interview answers on the sales of fixed assets

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ				x

Centralize or Decentralize the decision making in a subsidiary

Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ	x	x	x	

In CNS, these decisions are highly centralized i.e. there is no degree of autonomy for the same. In RAYA IT also the decisions associated with the sales of fixed assets are taken by the HQ and none of the subsidiaries are involved in the same. In SEDCO also, there is a similar situation as subsidiaries are not involved in the decision making associated with the sales of fixed assets. In OFFTEC on the other hand, the decisions associated with the sales of fixed assets are taken by the subsidiaries only after consulting with the HQ. This indicates that there is an optimum amount of autonomy in OFFTEC in context of the decisions associated with sales of fixed assets.

Royalty payments to HQ – The subsidiaries have to pay royalty fees to the HQ, the decisions associated with this can be both centralized and decentralized.

Table 4: Interview answers on the royalty payments to HQ

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ	x	x	x	x

In CNS the decisions of royalty payment to the HQ are highly centralized, none of the subsidiary is involved in the same. In RAYA IT also the decisions associated with the royalty payment are also centralized. In SEDCO also there is a similar situation as subsidiaries are not involved in the decision making associated with the royalty payment to HQ and in OFFTEC also there is no autonomy in the decision making associated with royalty fees.

Strategic partnership agreements in the value chain – Strategic partnership are also known as the strategic alliance between two enterprises. In order to improve the quality of the value chain, organizations need to enter in a strategic alliance. The decisions associated with the strategic partnership agreements in the value chain are the important decisions that should be critically taken so that an improvement can be achieved in the overall value chain.

Table 5: Interview answers on the strategic partnership agreements in the value chain

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				x
Decision taken by the subsidiary after consulting with HQ			x	
Decision taken by HQ after consulting the subsidiaries	x	x		
Decision taken exclusively by HQ				

In CNS the decisions related to strategic partnership in the value chain are taken by the HQ but they do consult with its subsidiaries regarding the same so that subsidiaries can also be involved in the overall decision making. In RAYA IT also there is a similar

situation as the subsidiaries are involved in the decision making associated with establishing new strategic partnership agreements in the value chain. The final decisions are however taken by the HQ. In SEDCO, the decisions are not centralized to the HQ in context of establishing the strategic partnerships in the value chain. In SEDCO, the decision of developing a strategic partnership agreement in the value chain is taken by the subsidiaries as well as the subsidiaries sometimes consult with the HQ for the same. This indicates that SEDCO provides enough autonomy to its subsidiaries. In OFFTEC on the other hand the decisions related to strategic partnership agreements in the value chain are exclusively taken by the subsidiaries without consulting with the HQ.

Mergers and acquisitions of other companies – Mergers and acquisitions (M&A) are the form of transactions in which ownership of the operating units or business organizations are transferred or combined. M&A are among the most important strategic decisions that affect each and every aspect of an organization. The decisions related to M&A in the organizations are taken differently. Some of the organizations like to involve its subsidiaries, in other cases the decisions might be taken exclusively by the HQ.

Table 6: Interview answers on the mergers and acquisitions of other companies

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ				x
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ	x	x	x	

In CNS the decisions of M&A are considered to be highly important and complex decisions; therefore in CNS these decisions are taken exclusively by the HQ without consulting with the subsidiaries. There is no degree of autonomy in decision making in CNS in this context. In RAYA IT also the same decisions are taken by exclusively by the HQ without involving the subsidiaries. In SEDCO also the decisions associated with M&A are solely taken by the HQ. The subsidiaries are not involved in the complex decisions such as M&A. In OFFTEC on the other hand the decisions related to M&A are taken by the subsidiaries after consulting with the HQ. In these, both the HQ and the subsidiaries are effectively involved in the decision making of M&A.

R&D investments – R&D refers to all the investigative activities that a business needs to conduct so as to improve the present procedures, products or the services. R&D activities often lead to development of new products or the procedures. More and more companies have now started investing in R&D so that they can develop the best procedures and processes, so as to fulfill the needs of the market. This indicates that decisions associated with the R&D are among the most important decisions.

Table 7: Interview answers on the R&D investments

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x		x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries			x	
Decision taken exclusively by HQ				

In CNS the decisions of R&D investments are exclusively taken by the subsidiaries. The HQ are not consulted and involved in the overall process. There is a high degree of decentralization in case of the R&D investments in CNS. In RAYA IT also the decisions related to R&D investments are taken exclusively by the subsidiaries and HQ are not involved in the process of R&D investments. In SEDCO a different case is found as the decisions associated with the R&D investments are taken by the HQ but by consulting with the subsidiaries. This is an indicator that there is a degree of autonomy in taking the decisions related to R&D in SEDCO. In OFFTEC on the other hand, these decisions are among the most complex and important decisions, but still the subsidiaries are provided full autonomy to take such decisions without involving the HQ in the overall process. In essence, there is a high degree of autonomy in the decisions associated R&D in OFFTEC.

Definition of the degree of involvement with local NGO's – (Non-Governmental Organizations) - organizations need to involve with the local non - governmental organizations for the various purposes. The NGO's sometimes are also one of the key stakeholders. The decisions associated with the involvement with local NGO's are taken differently.

Table 8: Interview answers on the definition of the degree of involvement with local NGO's

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

In CNS, the degree of involvement of the local nongovernmental organizations is taken exclusively by the subsidiaries. The HQ are not involved or consulted before involving the local NGO's in the business. In RAYA IT the decisions associated with the involvement of local NGO's is taken exclusively by the subsidiaries without involving or consulting the HQ. This indicating that there is a high level of decentralization in this context. In SEDCO also, the decisions associated with the degree of involvement of local non- governmental organizations are taken exclusively by the subsidiaries. The subsidiaries do not even consult with the HQ before involving some NGO in the overall process. This highlights that the degree of autonomy in context of the local nongovernmental organizations is high. Also in OFFTEC the decisions related to degree of involvement of the local NGO's are taken exclusively by the subsidiaries. The HQ are not consulted or involved in the process of deciding about the degree of involvement of the local non-governmental organizations. The above discussion indicates that in all the four organizations there is a high level of decentralization degree of involvement with local NGO's.

Entering new markets – Penetrating in a new market is a complex decision that requires funds and resources. An organization needs to critically decide about in which market to enter or not. Entering a market is not an easy task but a hard job that needs commitment and hard work.

Table 9: Interview answers on entering new markets

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ	x	x		

Centralize or Decentralize the decision making in a subsidiary

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken by HQ after consulting the subsidiaries				x
Decision taken exclusively by HQ			x	

In CNS, the decisions associated with entering a market are taken by the subsidiaries but HQ are involved and consulted before entering a new market. So, there is a certain degree of autonomy in such decisions. In RAYA IT also a similar trend is followed and the decisions associated with entering in a new market are taken by the subsidiaries but the subsidiaries also consult with the HQ. There is a high degree of autonomy in context of deciding about how to enter in a new market. In SEDCO the decisions associated with entering in a new market are taken by the HQ and none of the subsidiaries are involved in the overall process. This indicates there is a high degree of centralization in SEDCO in context of deciding about entering in a new market. In OFFTEC on the other hand the decisions related to enter in a new market are taken by the subsidiaries but they consult the HQ as well. In this way both the subsidiaries and the HQ decide about in which market to enter and how to enter.

Negotiation of government agreements – The organizations need to negotiate government agreements so that they can make the government as an important part and as stakeholders of the business.

Table 10: Interview answers on the negotiation of government agreements

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken by the subsidiary after consulting with HQ	x	x	x	x
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

In CNS, the decisions associated with negotiating the government agreements are taken by the subsidiaries after involving and consulting the HQ. In RAYA IT also the decisions associated with negotiating the government agreements are taken by the subsidiaries after consulting with the HQ. In SEDCO the decisions associated with negotiating the government agreements are taken by the subsidiaries after consulting with the HQ. In OFFTEC, also, the decisions related to negotiate the government agreements are taken by the subsidiaries after consulting with the HQ.

5.2.2 Tactical decisions

Tactical decision making is a kind of business strategy in which decisions are made with a perspective of end results for the company. The tactical decisions will include the decisions that will directly contribute in the profitability, longevity and the continuous improvement of number of aspects and operational areas. Tactical decisions making, typically focuses on the bigger picture. The tactical decision making is an important aspect that helps the organizations in evaluating their infrastructure along with how it operates and make the further adjustments. In this section, the autonomy associated with taking the tactical decisions will be analyzed in context of the four companies that have been taken for the case study.

Setting annual budgets – Setting the annual budgets is an important and complex task for the organization as it impacts on the shareholder expectations.

Table 11: Interview answers on setting annual budgets

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries	x	x	x	x
Decision taken exclusively by HQ				

In this context, in CNS, the decisions associated with setting the annual budgets are taken by the HQ after consulting with the subsidiaries. This indicates that there is a certain degree of autonomy in context of taking the decision about setting the annual budget. In RAYA IT, the decisions are taken by the HQ but they consult with the subsidiaries also. There is a certain amount of autonomy in case of taking the decisions associated with setting the annual budgets. In SEDCO also a similar situation is observed and the decisions associated with setting the annual budget are taken by the HQ but after consulting with the subsidiaries. In OFFTEC, a similar situation is seen as the decisions associated with setting the annual budgets are taken by the HQ after consulting with the subsidiaries.

Setting commercial targets – The commercial targets helps the organization in moving towards a particular path or direction. Setting the commercial targets is an important task for the organization.

Table 12: Interview answers on setting commercial targets

Centralize or Decentralize the decision making in a subsidiary

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries	x	x	x	x
Decision taken exclusively by HQ				

In CNS the decisions associated with setting the commercial targets are taken by the HQ but the subsidiaries are also involved in the same. There is a certain degree of autonomy. In RAYA IT also there is a similar situation and the decisions associated with setting the commercial targets are taken by the HQ after consulting with the subsidiaries. In SEDCO also the decisions associated with commercial targets are taken by the HQ along with consulting with the subsidiaries. In OFFTEC also, a similar situation is seen as the decisions associated with setting the commercial budgets are taken by the HQ along with consulting with the subsidiaries.

Cash flow fund raising – Cash flow and fund raising is essential for constant improvement and innovation in an organization.

Table 13: Interview answers on cash flow raising

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ				

Centralize or Decentralize the decision making in a subsidiary

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken by HQ after consulting the subsidiaries	x	x	x	x
Decision taken exclusively by HQ				

In CNS, the decisions associated with cash flow and fund raising are taken by the HQ along with consulting with the subsidiaries. In RAYA IT also such decisions are taken by the HQ along with consulting with the subsidiaries. In SEDCO also the decisions associated with cash flow and fund raising are taken by the HQ along with consulting with the subsidiaries. In OFFTEC also, the cash flow and fund raising decisions are taken by the HQ along with consulting with the subsidiaries.

Product adaptation to local market demand – It is essential that the product is adapted according to the local market demand especially in an emergent market.

Table 14: Interview answers on product adaptation to the local market demand

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

In this context in CNS, the decisions associated with product adaptation to local market demand are exclusively taken by the subsidiaries and HQ are not involved in the same. In RAYA IT also a similar trend is followed and HQ are not involved in the decision making. In SEDCO, the decisions associated with product adaptation are taken by the subsidiaries and HQ are not involved in the same. In OFFTEC also such decisions are taken by the subsidiaries without involving the HQ.

Union relationship – Union relationships are an important aspect of the HR (Human Resources) management in a company. Especially relevant in markets where the unions have a strong presence and present themselves as social stakeholders.

Table 15: Interview answers on union relationship

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

In CNS, the decisions associated with the same are taken by the subsidiaries and HQ are not involved in the same. In RAYA IT also the decisions associated with union relationships is taken by the subsidiaries without consulting the HQ. In SEDCO and OFFTEC also a similar trend is followed and the decisions are taken by the subsidiaries without involving the HQ.

Headcount definition – Headcount definition is another important part of HR, financial and legal management as it carries possible future liabilities for the company.

Table 16: Interview answers on headcount definition

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ	x	x	x	x
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

The decisions associated with the headcount definition in CNS are taken by the subsidiaries but they do consult with the HQ. In RAYA IT also the decisions are taken by the subsidiaries but they consult with the HQ. In SEDCO and OFFTEC also a similar trend is followed and the decisions making is done by the subsidiaries after consulting with the HQ.

Setting or changing local organization – Settings and changes in the local organization are determinant in the fast adaptation of the subsidiary to local market dynamics.

Table 17: Interview answers on setting or changing the local organization

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x

Centralize or Decentralize the decision making in a subsidiary

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

The decisions associated with setting or changing local organization in CNS are taken by the subsidiaries without involving the HQ. In RAYA IT such decisions are taken by subsidiaries without involving the HQ. In SEDCO and OFFTEC, the decisions associated with setting or changing the local organizations are taken by the subsidiaries without involving the HQ.

Procurement policy – This policy has an extreme importance in the supply chain management as well as in the finance management of a company. If in one hand global procurement agreements can bring economies of scale and savings to the company, in another it can deeply impact the local supply chain of the subsidiary and local customer engagements.

Table 18: Interview answers on the procurement policy

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				

Centralize or Decentralize the decision making in a subsidiary

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

The decisions related to the procurement policy in CNS are taken exclusively by the subsidiaries without any discussion with the HQ. Same autonomy is exercised in RAYA IT and decision related to the procurement policy is taken wholly by the subsidiaries. When decision making is analyzed in the SEDCO and OFFTEC, it is found that decision making is decentralized in both the companies related to this tactical aspect.

Price policy – The companies decide on the prices to be charged for different services and products and what kind of pricing policy should be followed.

Table 19: Interview answers on the price policy

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

In CNS these decisions are taken by the subsidiaries exclusively. In RAYA IT and SEDCO, the subsidiaries enjoy the autonomy related to the pricing decision and they do

not have to discuss or seek approval from the HQ. Decentralization also prevails in OFFTEC related to the decision making of price policy.

Salaries policy – This policy is key in HR in order to achieve harmonization and a high degree of talent retention inside the organization.

Table 20: Interview answers on the salaries policy

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ	x	x	x	x

In CNS the HQ solely decide upon the policies related to the salary and it do not involve any of the subsidiaries in the decision. The RAYA IT exclusively has centralized the decision making authority related to the salary policies with the HQ. In the SEDCO and OFFTEC also, the centralization of the decision related to the salary policies is done.

Press relation policy – This policy is an important component of any communications department inside a company as it impacts on the image and of overall perception of the company. Assumes even more importance in stock listed companies as it can affect the share value.

Table 21: Interview answers on the press relation policy

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ	x	x	x	x
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

Policies related to the press are taken by the subsidiaries in CNS but with the consultation of the HQ. In RAYA IT the subsidiaries do not enjoy full autonomy as before taking any decision regarding the press and making the policies they have to consult with the HQ. The subsidiaries of the SEDCO do not have the power or authority to wholly decide upon the press related policies. The HQ are also involved in this aspect and they have to take consultation from the HQ. Similar practical decentralization prevails in the OFFTEC. Although, the final decision making authority is with the subsidiaries but they have to consult with the HQ before finalizing the decision.

Adopting new production technologies – Another important aspect in the supply chain management in companies that position themselves as manufacturers. A better technology can decrease the production cost as well as the lead time.

Table 22: Interview answers on adopting new production technologies

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x		x

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ			x	

In CNS subsidiaries enjoy the full decision making authority related to the aspect of adopting new technologies for the production. RAYA IT has given full autonomy to its subsidiaries to decide upon the policies related to the technologies of production and the HQ is not even seeks for the final approval. SEDCO is keeping the decision in the HQ mainly due to the fact that they are manufacturers. Different case for the other case studies as they are integrating *3rd party technology*⁶ with some exceptions in the field of software. OFFTEC decentralized the decision making authority to their subsidiaries and they exclusively decide upon the policy related to adoption of new production technologies without discussing with the HQ.

Setting annual targets

Table 23: Interview answers on setting annual targets

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				

⁶ The integration of *3rd party technology* is the activity of delivering integrated mix solutions to an end customer that are developed and manufactured by another company.

Centralize or Decentralize the decision making in a subsidiary

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries	x	x	x	x
Decision taken exclusively by HQ				

Decisions related to the setting of annual targets by CNS is taken by the HQ but after consulting with the subsidiaries. In RAYA IT, decentralization is not exercised as the HQ take the decision regarding the annual targets after consulting with the subsidiaries. As the subsidiaries are the ones who have to achieve the targets in actual terms so SEDCO and OFFTEC decide upon the annual targets, with the final decision making lying in the HQ as the subsidiaries are also consulted in the process.

Hiring board members

Table 24: Interview answers on hiring board members

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ	x	x	x	x

Hiring of the board members is done exclusively by the HQ of CNS. In RAYA IT also same aspect can be seen as the HQ make the decisions of hiring the board members. Centralization of decision making is exercised on the SEDCO when hiring of the board member has to be decided on. The subsidiaries of the OFFTEC do not involve subsidiaries in the decision making of the hiring of the board members and the HQ exclusively take this decision.

Hiring directors

Table 25: Interview answers on hiring directors

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

The decision related to the hiring of directors is exclusive taken by the subsidiaries in CNS. In RAYA IT also similar decentralization is exercised and the decision is taken by the subsidiaries only. SEDCO and OFFTEC also do not involve the HQ in the decision related to the hiring of a director and it can be stated that decision making autonomy is solely enjoyed by the subsidiaries.

Definition of products and services marketing mix – This aspect is fundamental while building the portfolio offer of the company and an important enabler of all sales activities.

Table 26: Interview answers on the definition of products and services marketing mix

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x		
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries			x	x
Decision taken exclusively by HQ				

The decisions related to definition of products and services marketing mix in CNS are taken exclusively by the subsidiaries without any discussion with the HQ. Same autonomy is exercised in RAYA IT and the decision related to this tactical policy is taken wholly by the subsidiaries. When decision making is analyzed in the SEDCO and OFFTEC, it is found that decision making is more centralized as in both of the companies the subsidiaries are only consulted leaving the decisions to be taken in the HQ.

Launch of new products/services

Table 27: Interview answers on launch of new products/services

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x

Centralize or Decentralize the decision making in a subsidiary

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

While launching the new products or services, the subsidiaries of CNS and RAYA IT, themselves decide upon that and do not consult with the HQ or take approval with the HQ about it. Autonomy is enjoyed by the SEDCO subsidiaries in taking the decision exclusively related to the launching of product/services. In OFFTEC, the decision making is highly decentralized related to this aspect as the subsidiaries themselves take the decision.

End of life of products and services – This type of decisions can affect different markets, therefore should be managed very carefully.

Table 28: Interview answers on end of life of products and services

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries	x	x		x

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by HQ			x	

Being all system integrators, these companies are mostly dependent on their suppliers in regards to the end of a product or service as, apart from SEDCO, they don't hold ownership of the technology. Nevertheless the subsidiaries are consulted before entering in discussions with the suppliers.

Collective negotiation

Table 29: Interview answers on collective negotiation

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

The decision related to collective negotiation is exclusively taken by the subsidiaries in CNS. In RAYA IT also similar decentralization is exercised and the decision is taken by the subsidiaries only. SEDCO and OFFTEC subsidiaries also do not involve the HQ in the decision related to collective negotiation and it can be stated that decision making autonomy is solely enjoyed by the subsidiaries.

Definition of sales channels – Defining a sales channel in a given market will determine the overall sales go-to-market.

Table 30: Interview answers on the definition of sales channels

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x		
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries			x	x
Decision taken exclusively by HQ				

While defining the sales channel, the subsidiaries themselves decide upon the decisions and do not consult with the HQ or take approval with the HQ about it in both the CNS and RAYA IT companies. SEDCO is deciding this policy in the HQ taking in consideration the appreciation of the subsidiary. The same policy is also being adopted by OFFTEC.

5.2.3 Operational decisions

These types of decisions are related to the daily business management. Every business firm has to take various decisions in its daily working. They could be from very basic to very stressful. The manager in charge of taking operational decisions normally takes these decisions with proper care, because a simple decision could affect the customer’s experience. The operational decisions are related to pricing which include deciding about the price levels and margin levels, discount including discount to be given to the dealers on the particular brands, promotion including decision about choosing the right channels and getting ready the promotional material, and collecting information from the bottom

level to be submitted to the top level management within a firm. Apart from these four, the operational decisions are related to logistics, sales and outreach, customer and employee management. These decisions have a short term horizon as they are taken on repetitive basis. Sometimes the companies streamline the business processes but do not manage or improve these decisions which leave the opportunities half way (Chand, 2016).

While talking about the operational decisions, the analysis of the following factors has been done and they are discussed as below:

Production volumes – This is stated as the difference between the actual number of units produced in a period and the budgeted numbers of units that were to be produced. Production volume as a variance measure the total of overhead applied to the number of units that are produced.

Table 31: Interview answers on the production volumes

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

In CNS, the decision related to the production volume is taken exclusively by the subsidiaries themselves and are not made by the HQ. Also, no consultation of HQ is required. In RAYA IT the same decision making is followed and subsidiaries themselves

take the decision related to the volume of production as required by them. In SEDCO, the decision regarding the production volume is taken by the subsidiaries only and no interference of the HQ is there and even no consultation is required from the HQ. It is also analyzed that in OFFTEC, the subsidiaries themselves take the decisions of production volume based on their future demand and production capacity. This shows that there is good autonomy enjoyed in all the four companies as the decisions are highly decentralized related to the production volume.

Choosing suppliers – When choosing a supplier many things have to be kept in mind and many factors are to be considered. The right supplier provides the right goods at the right price and in specific time frames. Selection of suppliers is essential for a business to deliver the right quality of goods to its customer on time. Specific supplier selection criteria has to be applied and an operation manager has to make various decisions related to choosing suppliers such as methods to choose the supplier, payment terms, lead times and minimum and maximum order quantities. It is very important that suppliers should be chosen very keenly because all of the future flow of the activities is dependent on them.

Table 32: Interview answers on choosing the suppliers

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

In CNS, the supplier related decisions are taken exclusively by the subsidiaries. They do not consult with the HQ and choose the suppliers according to their need and availability. Similarly in RAYA IT also, this decision is taken by its subsidiaries exclusively and they enjoy the full autonomy in this matter by the HQ. In the other companies SEDCO and OFFTEC also, the decision is taken by the subsidiaries only related to the suppliers' choice. The operational decision is decentralized in both of the companies. The headquarter do not take the full responsibility for such type of decision neither it involves partially in the discussions.

Choosing sales agents – In comparative terms, to other decisions, it's somehow a simple decision to be made. A manager here decides about the best representative who can sell the product to the existing customer and also bringing new prospects. The sales agent plays various roles such as showing the demo, persuading the people to purchase, conveying the needs and demands of the customers to the company, etc. The sales agents are the ones who directly communicate with the customers, understand and make them understand about the product and what the company does.

Table 33: Interview answers on choosing the sales agents

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

The subsidiaries of CNS enjoy exclusively the decision making autonomy related to the choosing of sales agent. The subsidiary decides upon itself what type of and how many sales agents are required and how could the agents be selected. The RAYA IT company's HQ are usually not involved in the operational decision of choosing the sales agent. In SEDCO, the decision related to choice of the sales agent is made by the subsidiary itself. The HQ do not get involved in these decisions and subsidiaries exclusively have the autonomy. In OFFTEC also the subsidiaries enjoy full autonomy and it seems that decision making power related to choosing of the sales agent is fully decentralized.

Outsourcing decisions – There are various kinds of risk involved in the outsourcing decision. The cost factor is one of the important factors that a company or its subsidiary has to consider before making any final decision. The risk varies from business to business and from one geographical area to another. If the outsourcing is done with the decentralized structure, it also offers non-economic benefits with the economic benefits. (Lewis, 2006). There could be various types of the outsourcing such as, project outsourcing, process outsourcing, IT related outsourcing and much more.

Table 34: Interview answers on outsourcing decisions

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

Decisions related to outsourcing of the services are taken exclusively by CNS subsidiaries. Here, the authority is decentralized about this operational decision and the HQ usually do not interfere in the matter. RAYA IT has also granted full autonomy to its subsidiaries the authority to take the decisions related to the outsourcing. The subsidiaries by themselves take the decisions related to what should be outsourced and what not. When the operational decision making of the SEDCO is analyzed, it is seen that decentralization of the operational decision authority prevails between the company and its subsidiaries. The decisions of outsourcing were taken exclusively by the subsidiaries in this company also. The similar situation prevails in the OFFTEC. The outsourcing decisions are taken by the subsidiaries without any discussion or involvement of the HQ.

Publicity and sales promotions – Sales promotions are the short term promotional activities undertaken with a purpose to kindle cooperation from the distributors or agents or customer buying. Trade shows, distribution of free samples, promotional booklets publishing, etc. are the activities involved in the sales promotion. Publicity is usually done by the mass media about a product or a company and usually the company has no control over the content being transferred through publicity (zeepedia.com, 2016). A company has to take various decisions from time to time related to publicity and sales promotion. This is a key aspect of any company and its subsidiaries. One has to continuously monitor the performance of the promotional methods and their effectiveness in generating the sales. Also, the promotional methods could be varying in the subsidiaries of the company because of their different geographical presence and the demand and other constraint in that particular area. This is why the decision related to publicity and the sales promotion should be decentralized so that the subsidiaries could decide themselves on these aspects according to the market condition prevailing in their geographical area.

Table 35: Interview answers on publicity and sales promotions

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
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Centralize or Decentralize the decision making in a subsidiary

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

In CNS, the company HQ do not take part in these decisions and the subsidiaries themselves decide upon the promotional decision of their product or services. In RAYA IT, the decision making related to sales promotion and publicity is highly decentralized and the responsibility is exclusively given to the subsidiaries of the company. When the decision making of the SEDCO is analyzed, it is noted that this company also follows decentralized approach of decision making and subsidiaries enjoy full autonomy over the decisions related to the sales promotion and publicity. In OFFTEC, the subsidiaries do not ask or discuss with the HQ about this operational decision and exclusively hold the decision making power with themselves.

Layoffs – It is generally described as a temporary or permanent discharge of a worker or an employee from the job. It could be due to several circumstances, internal or even external to the company.

Table 36: Interview answers on layoffs

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x		x
Decision taken by the subsidiary after consulting with HQ			x	
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

The decision making regarding the layoffs is done by the subsidiaries themselves in CNS. No discussion between the HQ and the subsidiaries take place regarding the layoffs and the subsidiaries enjoy the full autonomy. In RAYA IT, the decisions regarding the layoffs are highly decentralized and even the subsidiaries do not have to cross check their decision with the HQ. They exclusively have the autonomy of making this operational decision themselves. When the decision making authority is analyzed in SEDCO, there also prevails a decentralization of authority related to the decision making regarding the layoffs. The subsidiaries take this decision by themselves and usually the HQ are not consulted about this, apart from the exceptional cases. The fourth company which was analyzed is OFFTEC. The subsidiaries here enjoy the full autonomy and the decisions regarding the layoffs are made exclusively by them. A good decentralization could be seen in the company regarding this operational decision making.

Hiring of base employees – Hiring of the employees relates to choosing the right employees for a specific job. This requires various aspects to be considered and usually depends on the need of a particular company or its subsidiary. Not only this, legal aspects are also taken care off while hiring the candidates. Thousands of resumes are received by the large organizations every day and today the market is ruled by the employers. Right hiring would decrease the chances of employee turnover and absenteeism and the work would flow smoothly with good productivity. So the responsibility of the HR has become

more critical and they have to look upon the needle to hire the suitable candidate for the company. Good hiring requires good efforts on the part of the HR department (hrhero.com, 2016).

Table 37: Interview answers on hiring of base employees

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x		x
Decision taken by the subsidiary after consulting with HQ			x	
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

When hiring of the base employees is done, the decision is taken by the subsidiaries exclusively in CNS. HQ does not discuss it with the subsidiaries or the subsidiaries do not discuss with the HQ about this aspect. In RAYA IT, the decision making is very much decentralized when talked about the decisions related to hiring of the base employees. There are various types of services provided by the company and it operates in several countries like Egypt, USA, Saudi Arabia and Nigeria. So the demand for the employees and type of suitable job candidates present in these different countries could vary. So, it becomes important that the company itself does not take the decision and let the subsidiaries enjoy the autonomy because they would understand the human resource needs better than the HQ. SEDCO also involves and believes in decentralization of decision making power when discussing about hiring of the base employees for the subsidiaries. HQ are generally not consulted about or are seek for the approval on these decisions. When the decision making aspect of OFFTEC is analyzed about the hiring of the base employees, it could be stated that this company also believes in decentralization

of decision making to the subsidiaries and HQ here do not interfere and are not needed for the final approval of the decisions.

Development and training of talents / employees – Training refers to imparting the essential knowledge in the employees that is necessary for performing a certain task or for a particular job position. It is usually employed for the current needs of an employee or a task. Development is wider than training as it also focuses upon the future of the employee. It refers to the overall development of the employees and not only imparting knowledge and skills for the current requirements. Here, the learning capacity of the employees is increased through the learning based interventions so that human and organizational resources could be utilized in the most optimum way (Wilson, 2005).

Table 38: Interview answers on development and training of talents / employees

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary				
Decision taken by the subsidiary after consulting with HQ	x	x	x	x
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

Here, the decision about the development and training of the employees is taken by the subsidiary but after consulting with the HQ in CNS. This is a very vast area and the subsidiaries have to consult with the HQ about various aspects of the training and development of the talent in the company. In RAYA IT, the final decision making authority remains with the subsidiaries but they have to consult and discuss with the HQ and then they can decide about these things. Here decentralization is exercised to some

extent as the final decision would always be taken by the subsidiaries. SEDCO, when evaluated about its decision making autonomy, enjoys decentralization partially. The subsidiaries cannot take the decision regarding the training and development of the employees and talent on their own. They have to consult with the HQ and then take the final decision. OFFTEC provides various kinds of services such as banking solutions, office technologies, networking security and software solutions. So, it has to stress upon the training and development of its employees very keenly. As the decision is very complex, so the company require its subsidiaries to consult with the HQ before finalizing the decisions related to this operational activity.

Headcount allocation decision – To allocate the cost, the company use headcount allocation method. Costs are usually direct and indirect. The cost is allocated to a specific department based on the number of employees working in that particular department. An allocation method based on the headcount must be designed and used in such a way that it could drive the managers of the department to reduce their headcount or otherwise outsource the functions to a third party (Bragg, 2012).

Table 39: Interview answers on headcount allocation decision

DECISION POLICY	CNS	RAYA IT	SEDCO	OFFTEC
Decision taken exclusively by the subsidiary	x	x	x	x
Decision taken by the subsidiary after consulting with HQ				
Decision taken by HQ after consulting the subsidiaries				
Decision taken exclusively by HQ				

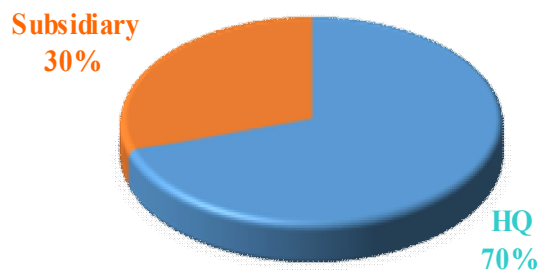
In CNS, the decision making related to the headcount allocation is taken by the subsidiaries of the company. They are not required to ask from the HQ for the final approval of their decisions. RAYA IT has provided full autonomy to the subsidiaries to take the decision about headcount allocation. No discussion and consultation is needed from the HQ related to this operational decision. Hence, it could be stated that full decentralization is exercised in the company. In SEDCO, similar situation prevails. As the subsidiaries know better about its departments, so the decisions related to the headcount cost allocation method and how it would be done is taken exclusively by the subsidiaries and they do not have to wait for the final decision of the HQ. The subsidiaries of OFFTEC also enjoy the decentralized decision making when it comes to operational decision making related to headcount allocation. It is not required that that they have to discuss it before taking the final decision.

5.3 Discussion of results

Despite the significant literature on subsidiary autonomy, the organizational choices made by the companies have a wide variety of factors to be taken in consideration. There is no agreement in literature on whether it is better to centralize or decentralize the decision making process of a subsidiary. Our study focused on a specific region, that is not normally studied and the literature is not abundant.

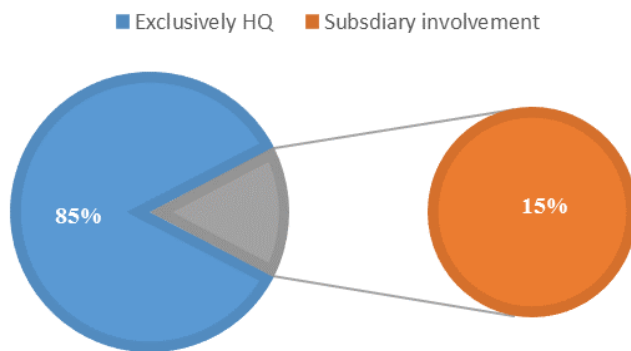
The results show a common trend in regards to the companies that were studied. All of these companies leave all, or most of the strategic related decisions, to be taken by the HQ.

Graphic 1: Overall distribution of decision autonomy in strategic decisions



The subsidiaries here play a minor role in the tactical decisions of the company keeping only 30% of the overall decisions to themselves. Still, they play an important role in the decisions taken by the HQ.

Graphic 2: Subsidiaries degree of involvement in decisions taken by the HQ



We can see above that the subsidiaries have an overall involvement of 15% when HQ is deciding upon strategic topics. Even do they decide less on strategic topics by themselves, they have some degree of involvement when the decision is being taken by the HQ.

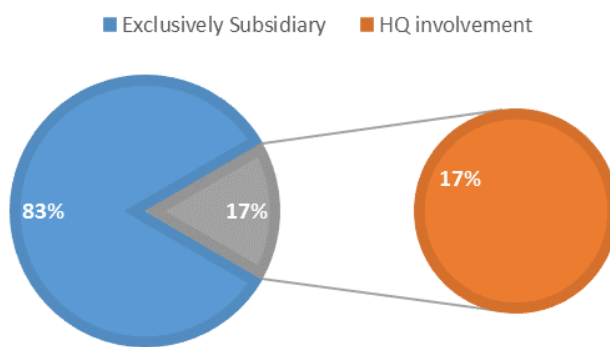
When we analyze the answers related to the tactical decisions, we can see the subsidiary autonomy growing and out passing their HQ.

Graphic 3: Overall distribution of decision autonomy in tactical decisions



HQ's are still taking 40% of these decisions, but here clearly, as these types of decisions start to be closer and relevant to the diverse local realities, the subsidiaries are growing their autonomy. Here, is also relevant to do the same exercise we did above, but in this case related to degree of involvement of the HQ's in the decisions taken by their subsidiaries.

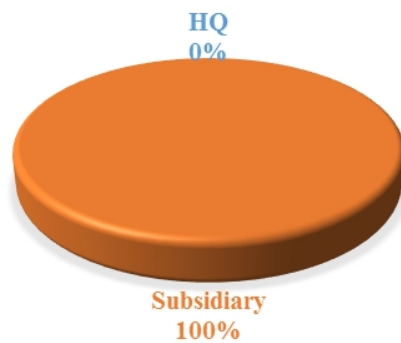
Graphic 4: HQ degree of involvement in decisions taken by their subsidiaries



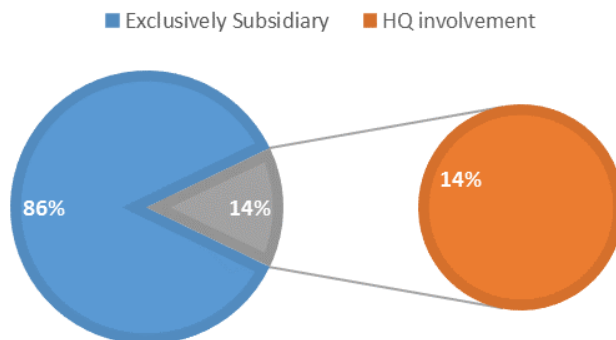
According to the results, the subsidiaries consult with their HQ in 17% of their decisions.

When we proceed to the analysis of the operational decisions, the parent companies are leaving it all in the hands of their subsidiaries with a low level of involvement.

Graphic 5: Overall distribution of decision autonomy in operational decisions



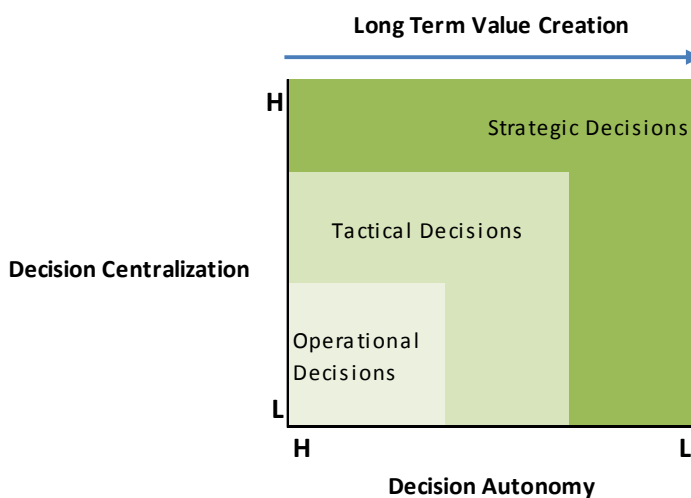
Graphic 6: HQ degree of involvement in decisions taken by their subsidiaries



It is important to realize that in all the different types of decisions, strategic, tactical and operational, despite the changes in the autonomy degree, in each one of the cases, there is not a full disconnection between HQ and subsidiaries as it always exists involvement and consulting from side to side.

In other words we can say that decisions related to the long term value creation in the company are kept by the parent company and as we move into topics that can impact more the local market realities, the parent company starts to decentralize and increase the number of decisions to be made at the subsidiary level.

Figure 6: The determinants of decision making in a subsidiary



Source: (Prepared by the author)

After analyzing the results we can affirm that these companies are using a more decentralized strategy on their decision making process. In fact, the Middle East is a challenging region, besides being an emergent market, and it has a high need of local adaptation from the product to the management itself. In fact, this territory is marked by a high demand of local adaptation and a high degree of responsiveness as it comprises unique countries. So, it is not surprising that our findings are aligned with the report from the International Idea Institute for Democracy and Electoral Committee, that we mentioned previously in our work, and defends the suitability of decentralization in MENA countries (Center for Constitutional Transitions, 2011).

Despite the high level of autonomy of the subsidiaries of our study, in all of them there is somehow a mixed approach by the parent company by centralizing their strategic decisions. As stated by Brauch, Behera, & Kameri-Mbote, (2004), centralization and decentralization should not be used alone as both of these are not fully capable of managing the vast operations and activities of the organization along with satisfying the demands of the customers. This need of local flexible organizations and global integration is also mentioned by Campbell, Kunisch, & Müller-Stewens, (2011).

Looking at the relevant literature on the roles of subsidiaries, and analyzing the above results coming from the questionnaires, we can considering them as “*active subsidiaries*” (J&M 1990 / Taggart 1998) as we see a need for global integration with the parent company, which holds the strategic decision power at the same time that caters the needs for the local responsiveness of their respective markets. Responsiveness and local market adaptations seem to be the key drivers when deciding to centralize or decentralize the decision in these markets. The role model of Bartlett & Goshal (1986) would classify these companies as “*strategic leaders*”, showing high competences in their local markets, necessary to respond on the local needs but also enjoying high location advantages.

After comparing the results of our questionnaire with the relevant literature, we can say that the companies of our study have a decentralized decision making model in their subsidiaries keeping a centralized approach when it comes to the long term strategic value of their global operations.

The reality and uniqueness of the region, demands local flexibility, responsiveness and adaptation and this is exactly what these companies aspire to deliver by having a high degree of autonomy in their subsidiaries.

6. CONCLUSION

The centralization or decentralization of the decision making in a subsidiary is for sure one of the key factors that determines the subsidiary autonomy. The main objective of the investigation was to study this topic, starting from the general conceptions and specifying the subject for Middle East Countries in the ICT industry. A deep analysis on the topic was conducted in focus, and subsequently, a sequential sample of leading multinational companies operating in the Middle East region was applied. This study show us that the Middle East market demands fast response to local adaptation. The high variables and unpredictability of the local operations increases the differences between the HQ and the subsidiaries creating a natural tendency to decentralize the decision. The local level of responsiveness seems to be a key factor in these countries competitiveness, thus representing a risk in doing business which makes these companies to naturally opt for a more decentralized decision making structure (Garnier, 1982).

A last note should be made. As mentioned before, there is not too much management literature about the Middle East region, so in a way we hope to have contributed to add value with the present work that was just a first exercise in this field. The small sample studied represents one of the limitations of our work, as well as the fact we focused only in one industry (ICT's) and one geography (Middle East). If in one hand these are limitations of the scope of our work, in another hand it opens also the door to continue our study in this matter. In any case, we believe that the dynamics of management in multinational companies will continue to evolve, especially in emergent regions like the Middle East, which for sure will widen the range for further investigations.

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ANNEXES

ANNEX 1: Questionnaire to OFFTEC INTERNATIONAL

Bellow, please mark with a “X” your corresponding choice:

STRATEGIC DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Dividends policy			x	
Definition of investment capital				x
Sale of fixed assets		x		
Royalties payments to HQ				x
Strategic partnership agreements in the value chain	x			
Mergers and Acquisitions of other companies		x		
R&D Investment	x			
Definition of the degree of involvement with local NGO's	x			
Entering new markets			x	
Negotiation of government agreements		x		

TACTICAL DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Setting annual budgets			x	
Setting commercial targets			x	
Cash Flow fund raising			x	
Product adaptation to local market demand	x			
Unions relationship	x			
Headcount definition		x		
Setting or changing local organization	x			
Procurement Policy	x			
Price Policy	x			
Salaries Policy				x
Press relation Policy		x		
Adopting new production technologies	x			
Setting annual targets			x	
Hiring Board Members				x
Hiring Directors	x			
Definition of products and services marketing Mix			x	
Launch of new Products/Services	x			
End of Life of Products and Services			x	
Collective negotiation	x			
Definition of sales channels			x	

OPERATIONAL DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Production volumes	x			
Choosing suppliers	x			
Choosing sales agents	x			
Outsourcing decisions	x			
Publicity and sales promotions	x			
Layoffs	x			
Hiring of base employees	x			
Development and training of talents / employees		x		
Headcount allocation decision	x			

ANNEX 2: Questionnaire to SEDCO

Bellow, please mark with a “X” your corresponding choice:

STRATEGIC DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Dividends policy			x	
Definition of investment capital				x
Sale of fixed assets				x
Royalties payments to HQ				x
Strategic partnership agreements in the value chain		x		
Mergers and Acquisitions of other companies				x
R&D Investment			x	
Definition of the degree of involvement with local NGO's	x			
Entering new markets				x
Negotiation of government agreements			x	

TACTICAL DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Setting annual budgets			x	
Setting commercial targets			x	
Cash Flow fund raising			x	
Product adaptation to local market demand	x			
Unions relationship	x			
Headcount definition		x		
Setting or changing local organization	x			
Procurement Policy	x			
Price Policy	x			
Salaries Policy				x
Press relation Policy		x		
Adopting new production technologies				x
Setting annual targets			x	
Hiring Board Members				x
Hiring Directors	x			
Definition of products and services marketing Mix			x	
Launch of new Products/Services	x			
End of Life of Products and Services				x
Collective negotiation	x			
Definition of sales channels			x	

OPERATIONAL DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Production volumes	x			
Choosing suppliers	x			
Choosing sales agents	x			
Outsourcing decisions	x			
Publicity and sales promotions	x			
Layoffs		x		
Hiring of base employees		x		
Development and training of talents / employees		x		
Headcount allocation decision		x		
	x			

ANNEX 3: Questionnaire to CNS

Bellow, please mark with a “X” your corresponding choice

STRATEGIC DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Dividends policy				x
Definition of investment capital				x
Sale of fixed assets				x
Royalties payments to HQ				x
Strategic partnership agreements in the value chain			x	
Mergers and Acquisitions of other companies				x
R&D Investment	x			
Definition of the degree of involvement with local NGO's	x			
Entering new markets		x		
Negotiation of government agreements		x		

TACTICAL DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Setting annual budgets			x	
Setting commercial targets			x	
Cash Flow fund raising			x	
Product adaptation to local market demand	x			
Unions relationship	x			
Headcount definition		x		
Setting or changing local organization	x			
Procurement Policy	x			
Price Policy	x			
Salaries Policy				x
Press relation Policy		x		
Adopting new production technologies	x			
Setting annual targets			x	
Hiring Board Members				x
Hiring Directors	x			
Definition of products and services marketing Mix	x			
Launch of new Products/Services	x			
End of Life of Products and Services			x	
Collective negotiation	x			
Definition of sales channels	x			

OPERATIONAL DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Production volumes	x			
Choosing suppliers	x			
Choosing sales agents	x			
Outsourcing decisions	x			
Publicity and sales promotions	x			
Layoffs	x			
Hiring of base employees	x			
Development and training of talents / employees		x		
Headcount allocation decision	x			

ANNEX 4: Questionnaire to RAYA IT

Bellow, please mark with a “X” your corresponding choice:

STRATEGIC DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Dividends policy				x
Definition of investment capital				x
Sale of fixed assets				x
Royalties payments to HQ				x
Strategic partnership agreements in the value chain			x	
Mergers and Acquisitions of other companies				x
R&D Investment	x			
Definition of the degree of involvement with local NGO's	x			
Entering new markets		x		
Negotiation of government agreements		x		

TACTICAL DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Setting annual budgets			x	
Setting commercial targets			x	
Cash Flow fund raising			x	
Product adaptation to local market demand	x			
Unions relationship	x			
Headcount definition		x		
Setting or changing local organization	x			
Procurement Policy	x			
Price Policy	x			
Salaries Policy				x
Press relation Policy		x		
Adopting new production technologies	x			
Setting annual targets			x	
Hiring Board Members				x
Hiring Directors	x			
Definition of products and services marketing Mix	x			
Launch of new Products/Services	x			
End of Life of Products and Services			x	
Collective negotiation	x			
Definition of sales channels	x			

OPERATIONAL DECISIONS				
Decision	Degree of Autonomy			
	Decision taken exclusively by the subsidiary	Decision taken by the subsidiary after consulting with HQ	Decision taken by HQ after consulting the subsidiaries	Decision taken exclusively by HQ
Production volumes	x			
Choosing suppliers	x			
Choosing sales agents	x			
Outsourcing decisions	x			
Publicity and sales promotions	x			
Layoffs	x			
Hiring of base employees	x			
Development and training of talents / employees		x		
Headcount allocation decision	x			