



**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**DEPARTMENT OF MANAGEMENT**  
**EMBA-PROGRAM**

*“The Impact of Corporate Governance on Employee Job Satisfaction (The Case of Five Food Manufacturing Companies in and around Addis Ababa, Ethiopia)”*

A Research Thesis Submitted for The Partial Fulfillment of The Requirement of The Degree of Executive Masters of Business Administration (EMBA).

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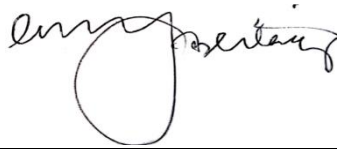
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## Declaration

I, the undersigned, declare that this thesis work entitled “*The Impact of Corporate Governance on Employee Job Satisfaction (The Case of Five Food Manufacturing Companies in and around Addis Ababa)*” is my own original work and all sources and references are accurately & properly reported and acknowledged. Finally, I confirm that this document has not been submitted for a degree in any other universities.

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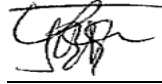
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This is to certify that ABENET TAYE has completed his thesis work entitled “*The Impact of Corporate Governance on Employee Job Satisfaction (The Case of Five Food Manufacturing Companies in and around Addis Ababa)*” is his original thesis work and is submitted for examination with my approval as a thesis.

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## ABSTRACT

*The purpose of this study is to evaluate the impact of Corporate Governance on Employee Job Satisfaction of employees working in five private food manufacturing companies managed by board of directors. The objective of the study is to analyze the causal effect relationships between corporate governance, examine the job satisfaction level and evaluate the quality of corporate governance practices in the organizations addressed by this study. The study used explanatory research design & quantitative approach with cross-sectional data collection method. The study used close-ended structured questioner. A 5-point Likert-scale is used in the questioner. In the research, corporate governance is explained by seven variables i.e. Board of Directors, Audit Committee, Executive Management Body, Code of Governance, Internal Control, Industrial Relation Management and Stakeholders Relation Management were used to explain corporate governance. Employee job satisfaction is explained by nine variables. The questioners were distributed to 122 randomly selected respondents. The data were analyzed using descriptive, correlation and regression statistical analysis techniques. The correlational & regression analysis shows that corporate governance positively & significantly affects employee job satisfaction. Likewise, the individual corporate governance variables such as Board of Directors, Executive Management Body, Internal Control, Code of Governance & Industrial Relation Management exhibited positive & significant impact on Employee Job Satisfaction. Among them, Code of Governance contributed the highest variation followed by Board of Directors, Executive Management Body & Internal Control. Whereas, Audit Committee & Stakeholders Relation Management exhibited positive but insignificant impact on employee job satisfaction. The study recommends the food manufacturing companies to strengthen their corporate governance practices and work to address their employees job satisfaction to improve their organization performance and reduce employee turnover. This paper is expected to fill the availability gap of similar research studies in the food manufacturing sector in Ethiopia.*

**Key words:** *Corporate Governance, Employee Job satisfaction, Executive Management Team, Code of Governance, Internal Control, Employee Relation, Stakeholders Relation.*

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## Acronyms

- AC:** Audit Committee
- ANOVA:** Analysis of Variance
- BOD:** Board of Directors
- CEO:** Chief Executive Officer
- CG:** Corporate Governance
- CCG:** Code of Corporate Governance
- GCG:** Good Corporate Governance
- CGS:** Corporate Governance Structure
- CCG:** Codes of Corporate Governance
- Co:** Company
- COSO:** Committee of Sponsoring Organization
- ER:** Employee relation
- EJS:** Employee Job Satisfaction
- EMT:** Executive Management Team
- IC:** Internal Control
- ID:** Independent Director
- IGC:** International Growth Center
- JSS:** Job Satisfaction Survey
- OLS:** Ordinary Least Square
- MOA:** Memorandum of Association
- SR:** stakeholder relation
- SPSS:** Statically Package for Social Science
- SD:** Standard Deviation
- SPSS:** Statistical packages for Social Science

# **CHAPTER ONE**

## **1. INTRODUCTION**

### **1.1. Background of the study**

This research study aims to evaluate the causal relationships between corporate governance and job satisfaction. Corporate Governance is the law of companies. It consists of rules, principles and practices with which organizations are controlled and directed. Job Satisfaction is the feeling and attitude of employees towards their job and organization. These two factors co-exist any organization. Corporate governance has been evolving and developing since 1700's. Organizations face many challenges in their corporate governance. Some great corporates like ENRON, WORLDCOM and Lehman Brothers experienced big governance failures. Due to this and other similar cases, the concept and issue of corporate governance became popular and could attract my researchers' attentions.

Employee job satisfaction is another hot issue for organizations. As many research finding show and we practically observe, job satisfaction affects the employee's stability, job performance and job commitment. Moreover, the labor market and labor dynamics is getting complex from time. Employees have better access for internet and other social medias. So, they can get better access for job related information. Their knowledge and awareness about their rights and responsibilities increased more than any time before. So, these days employees are more sensitive in their interaction with their employers than the type of interactions existed some years before. So, the interaction between the management and employees is a very important topic for researchers.

Many researchers tried to evaluate the impact of corporate governance on job satisfaction across the world. Some researchers tried to take few corporate governance variables and tried to study their effect on job satisfaction. Some researchers focused on good corporate governance principles and studied their effect on job satisfaction. But none of the available research studies addressed the relationship between corporate governance and job satisfaction in the context of the private food industries in Ethiopia.

Numi and Delle (2014) conducted similar study in the Ghanian telecom by taking three corporate governance variables i.e. governance structure, internal controls & code of governance. But it is different from this research study in many aspects. Methodologically this research study included another four explaining variables to corporate governance, contextually the two sectors are different and the two studies take about companies in two different countries.

Therefore, this study can contribute something new and can help the organization used for the study to understand how their governance system affects their employee satisfaction in their context and work better to improve the relationship so as to improve their organization performance and retain their skilled labors.

## **1.2. Description of the organizations**

Five food manufacturing share companies are selected for this study. BBZ Foods Manufacturing Sh. Co is a business company owned jointly by foreign and local investors operating in the manufacturing of texturized soya protein and edible oil from soyabean. It is directed by Board of Directors. Second, ASTCO Food Complex Sh. Co is owned by foreign and local investors having a head office in Addis Ababa, Ethiopia. The company produces different food products such as wheat flour, pasta and supply to the local market. The organization is directed by Board of Directors. Third, ADEA Food Complex is a hare company owned by local investors with its head office located in Debere Zeit (Bishoftu), Ethiopia. The company produces wheat flour, pasta, macaroni, different biscuit products and wheat milling by-products. It has board of directors. Kaliti Food Complex is a share company owned by local investors with the head office located in Addis Ababa, Ethiopia. It produces wheat flour, pasta, macaroni, different biscuit products and supplies to the local market. The company is directed by board of directors. Lastly, Ahadukes Food Products Sh. Co is jointly owned by foreign and local shareholders. It is directed by board of directors. The company produces different types of biscuit products with the head office located in Addis Ababa, Ethiopia.

### **1.3. Statement of the problem**

These days the social and technological dynamics are growing faster and reshaping the employee's behavior differently than any time before. Employees can get more job-related information and their consciousness heightened. These days, relatively employees know their right and responsibility better. Hence, employee-employer relationships are having new shapes. Employees expectation about pays, working conditions, relationship with their colleagues and supervisors is changing. But companies prioritize the interest of their shareholders work to maximize their financial profits compromising the interest of other stakeholders like employees. According to Nmai and Delle (2014), these days corporate governance has gained the attention of different scholars in the research world. Since the issue is global, many scholars conducted different research studies to evaluate the causal relationship between corporate governance and job satisfaction. Nearly all of them came to similar conclusions and confirmed the significant & positive impact of corporate governance on job satisfaction. But the research studies differ each other in the way and the variables they used to define corporate governance, location ,industry organization addressed.

In their study Nmai and Delle (2014) studied the relation between Good Corporate Governance and Employee Job Satisfaction in the Ghanaian Telecommunication Sector using three dimensions of corporate governance (internal control, corporate structure and code of governance) drew a conclusion that corporate governance and its three considered determinants positively & significantly predicated employee job satisfaction.

Raziq and Maulabashsh (2014) studied the Impact of working Environment on Job Satisfaction. The study finding confirmed the existence of positive relationship between them. Inyat and Khan (2021); Dziuba et al.,2020 studied the job satisfaction and its effect on performance of employees. Their finding showed that positive and significant relationship between job satisfaction and employee performance.

Alamrew et al.,2016 studied the effect of corporate governance on employees' job satisfaction at Gonder University. Their finding showed that 45% employees job dissatisfaction was related to corporate governance.

Riyanto and Lukertina (2019) studied the effect of Good Corporate Culture on Employees in Jakarta. This study indicated the existence of positive relation between organizational culture and job satisfaction.

Hijazi (2021) studied the effect of Good corporate governance principles on employees' job satisfaction of Jordan public employees and found a statistically significant effect of good corporate governance principles on employees' job satisfaction.

In general, all these studies show the existence of strong and positive relationships between corporate governance and employee job satisfaction. But all of the studies have contextual and methodology difference with the research topic treated by this research study. None of the researches done addressed the case of the food industries in Addis Ababa, Ethiopia and no studied research material was available about these five food manufacturing industries & will bridge the contextual gap. Moreover, this research study addressed additional four corporate governance variables which were not addressed in other similar studies.

So, this research study can help the organizations to understand how their corporate governance systems affect their employees job satisfaction. It will help them to know how employees perceive their corporate governance system, their job satisfaction status and conduct the necessary adjustments in order to have a more satisfied, well performing and winning employees in their organizations.

#### **1.4. Objective of the study**

##### **1.4.1. General Objective**

The general objective of the study is to evaluate the effect of Corporate Governance on Employee Job Satisfaction.

##### **1.4.2. Specific Objectives**

The study deals with the following specific research objectives.

- To separately examine whether or not Employees Job Satisfaction is affected by Board of Directors, Audit Committee, Executive Management Body, Code-of-Governance,

Internal Control, Industrial Relation Management & Stakeholder Relation Management.

- To evaluate the overall job satisfaction level of the employees in the companies studied.
- To evaluate the strength of the corporate governance practices and cultures in the companies studied.

### **1.5. Research hypothesis**

The following are hypothesis ( $H_i$ ) of the research. Each hypothesis has a null hypothesis negative to the stated individual hypothesis (The explaining variable has no significant effect on the dependent variable).

**H<sub>1</sub>:** Board of Directors positively and significantly affects employees job satisfaction.

**H<sub>2</sub>:** Audit Committee positively and significantly affects employees job satisfaction.

**H<sub>3</sub>:** Executive Management Team positively and significantly affects employees job satisfaction.

**H<sub>4</sub>:** Code of Governance positively and significantly affects employees job satisfaction.

**H<sub>5</sub>:** Internal Control positively and significantly affects employees job satisfaction.

**H<sub>6</sub>:** Industrial Relation Management positively and significantly affects employees job satisfaction.

**H<sub>7</sub>:** Stakeholders Relation Management positively and significantly affects employees job satisfaction.

**H<sub>8</sub>:** Corporate Governance positively and significantly affects employees job satisfaction.

### **1.6. Significance of the study**

This study helps to know the Corporate Governance conditions, job satisfaction level of the employees and understand how corporate governance impacts employees job satisfaction. The study can give insight to scholars, shareholders, employees, board of directors and to the management body about the industry governance practice in Ethiopia so that anyone can understand the strengths or gaps of the existing corporate governance practices and find out the means to improve the gaps and sustain those good corporate governance practices longer

to achieve maximum job satisfaction to the employees who are the most dynamic and intangible assets of the companies.

### **1.7. Scope of the study**

Though corporate governance is a broader and multidimensional topic, this study aims to evaluate the Impact of those selected corporate governance factors i.e. Board of Directors, Executive Management Team, Audit Committee, Code of Governance, Internal Control, Industrial Relation Management, Stakeholders Relation Management to the employee job satisfaction. The results found from this analysis can be taken to explain what Impact corporate governance will have on employee's satisfaction in manufacturing industries of Ethiopia.

### **1.8. Definition of terms**

**Audit Committee:** sub-group of the board of directors controlling the implementation of policies, procedures and regulations to create reliability of the financial reports and management decisions.

**Board composition:** extent to the presence of independent and external directors in the board.

**Board Size:** number of directors in the board.

**Board gender diversity:** the mix of female and male directors in the board.

**CEO:** The top executive person.

**CEO Duality:** a person acting both as a CEO and Board Chairman of the same company.

**Corporate Governance:** A system by which companies are managed.

**Corporate Governance Structure:** The way power is distributed among the shareholders, board of directors and managers.

**Code of Governance:** Set of policies, rules, regulations and norms firms are governed by.

**Job Satisfaction:** Attitude and motivation of employee towards his/her job.

**Internal Controls:** Monitoring activities that ensures company activities and decisions are executed in compliance with the organization policies and regulation.

**Industrial relations:** The relation, communication and understanding between the employer (organization) and its employees with regard to employees' benefits, responsibilities etc.

**Independent Directors:** Directors who have no relation with the shareholders, board and management of the company.

**Internal controls:** Policies, manuals and procedures that are used a guideline to ensure check-and-balance in the day-to-day management decision activities.

### **1.9. Organization of the study**

This research paper is organized in to five (5) chapters. Chapter 1 deals with background of the study, Statement of the problem, Research questions, Objective of the study, Research Hypothesis, scope of the study, Limitation of the study, definition of terms and organization of the study. Chapter 2 deals with literature review of related literatures from article journals, books and websites. Chapter 3 deals with the research design and methodology part of the study, Chapter 4 deals with data analysis, Chapter 5 deals with the research finding conclusion and recommendation.

## CHAPTER TWO

### 2. LITERATURE REVIEW

#### 2.1. Introduction

In this section all the available literatures related to job satisfaction, corporate governance and their relationships are intensively reviewed. The chapter is composed of different concepts related to this research topic, definitions, theoretical reviews, empirical review, research gaps and proposed conceptual frame work for the study.

#### 2.2. Definition

Corporate Governance has been evolving and growing by constantly reviewing the business laws and practices for many years since 1700s in response to different corporate and system failures observed in England and US (Cadbury,1999). Corporate Governance has internal and external architectural framework. The internal architectures include shareholders, board of directors, Management and core functions. The external architectures include regulatory responsible for standards, rules and regulations; market and financial structures. There are many definitions given for corporate governance. Collier (2005) defined corporate governance as the way companies are managed, directed and controlled. Organization for Economic Co-operation (OECD 1999) defined corporate governance as the structure of relationships and corresponding responsibilities among a core group consisting of shareholders, board members and managers. Thapar (2017) views corporate governance as a procedure, connection and system set up for the enterprises and firms in light of specific rules and standards by which an organization is controlled and coordinated.

#### 2.3. Principles of Corporate Governance

- a) **Transparency**-Transparency defined in the book of Crowther and Sefi (2010), as a principle, necessitates the information is freely available and directly accessible to those who will be affected by the decision and their enforcement. Transparency is of specific importance to the external users of such information as those users lack the background details & knowledge available to the internal users of such information.
- b) **Rule of law**-It is defined as the impartial enforcement of law without any regard for the power relationships. It helps to protect and respect the right of the minority.

- c) **Participation**-It is the freedom to any stakeholder to participate, associate and express in the course of action desirable. Depending on the size and the structure the organization, participation can be either direct or through legitimate representative which can be person, group or institution.
- d) **Responsiveness**-It implies that the governance regulations enable the institutions and processes of governance to be able to serve all the stakeholders within a reasonable timeframe.
- e) **Equity**-According to Crowther and Sefi (2010), equity is a concept that all stakeholders and members of the society have the sense of having stake in the organization without feeling any sense of exclusion from the mainstream. Voices of minorities and most vulnerable are given due attention in making decision. It gives an opportunity to all stakeholder groups to maintain and improve their wellbeing.
- f) **Efficiency and Effectiveness**-According to Crowther and Sefi (2010), Efficiency is all about the cost minimized utilization of resources relating to sustainability & the costing accounting & management approach and effectiveness is all about achieving the desired purpose.
- g) **Sustainability**-Sustainability is a controversial issue and many definitions given to it. (Crowther, 2002) defined it as the effect the present action has up on the options available in the future. This perspective is all about the long-term development of humans and how to achieve the goals of such long-term development. The stakeholders affected by the activity of the organization will not have interest to the organization and its activities. These affected stakeholders can have some degree of influence to affect and reshape the activities of the organizations. Resources are being depleted and the cost of acquiring the remaining resources tend to increase and it implies that society must use no more of a resource than can be generated (Aras & Crowther 2007a). Organizations have to ensure sustainability through bringing economic, environmental and social performances in their operation.
- h) **Accountability**-Accountability is concerned with an organization responsibility towards the effects resulted from its actions. Organizations are accountable to the public and to their various stakeholders.

### 2.3. Corporate Governance Models

Researchers identified three different types corporate governance models varying from country to country (Ungureanu, 2013). They are called as the “Anglo-Saxon Model” also called “Anglo-American Model”, “European Model” also called “German Model” and the “Japanese Model “.

- a) **Anglo-American model:** in this model shareholders are outsiders with no direct control over the day-to-day operation. Ownership & control are separate. It is shareholders-oriented model as it gives an absolute voting right of the board members only to the shareholders. The shareholders appoint supervisory board and delegate the power to the board to direct the organization on behalf of them to maximize their interest balancing the interest of the other stakeholders. Shareholders, Board of Directors and Management are the key players of the organization. The board chairman and CEO are the same person. It has a single board composed of different executive and more non-executive members that can have its own audit-committee. The corporate governance rules can vary from state to state.
- b) **German Model:** It is also called societal model as it gives voting right to workers for 50% of the supervisory board members. It has two-tire board structure. The shareholders & workers appoint the supervisory board which is composed of outsiders only and then this board appoints the management board. German banks are the dominant shareholders of corporations with other few corporate shareholders. This governance model balances the interest of the shareholders and employees. This model is known for two-tire board structure. Shareholders, supervisory board (supervisory council) & management(executive) board play the key role. The supervisory board has no insider (executives) and nominated 50% by the shareholders and 50% by the employees or trade unions. This model is applied mainly in Germany, Austria, Netherland, France and some Scandinavian countries.

- c) **Japanese-Model:** It is internal control-oriented model. Banks & financial institutions have big stakes & critical controlling power in the business organizations. It has one-tier board structure. The shareholders monitor the day-to-day operation through the supervisory board. The banks & shareholders appoint the Supervisory board members who are insiders of the organizations (having more than 50 members) & the president who acts as the mediator between the BOD and the management. Shareholders, supervisory board, president and management are the key players in this governance model.

Coming to the Ethiopian context, the country has its own commercial code since 1960. The code was reviewed and named as New Commercial Code (NCC) approved in March, 2021. It is used as the national company law with some similarities and differences from the three well known governance models. The code is applicable to all kinds of businesses i.e. one person owned private company to holding companies.

According to the reviewed commercial law, all business companies are allowed to be managed by board of directors. Most of the Ethiopian companies are privately owned companies with few public companies unlike those big corporate companies in US, Germany and Japan. In this model shareholders, board of directors, supervisory board and management are key role players. The law allows board of directors with three to thirteen dependent and independent members. The board assigns the Audit committee from the members of the board. It assigns the General Manager. The second board is Supervisory board which doesn't involve in the day-to-day operation having three to five directors who are not member of the board of directors.

## **2.4. Theories of Corporate Governance**

### **2.4.1. Agency Theory**

The key feature of agency theory is separation of ownership of the business and control. Agency theory defines the relationship between the principals (such as shareholders of company) and agents (such as directors and manager of a company). Agency is a contract under which the principal or owner of the business hire other person(s) and delegate power to

make decision for the best interest of the principal with accountability (Jensen &Meckling, 1976).

But it is not always true that the agents make decisions to the best interests of the principals. The agent may work for his self-interest, show opportunistic behavior and fall to meet the expectations of the principal. This phenomenon is called agency problem, the contradiction of this theory. Modern firms are seen suffering from this agency problem as the dispersed shareholders don't have the direct control over their agents who work for their self-interest instead of the shareholder's interest.

#### **2.4.2. Stakeholder Theory**

Stakeholder theory suggests that managers in organizations have relationship and accountability to different stakeholders of the company such as customers, suppliers, regulatory, employees and business partners (Abdullah & Valentine 2009). All the stakeholders have an impact on the success of the company and need to be treated equally by the managers. They need to be valued by the company and expect return for what they provide to the organization.

#### **2.4.3. Stewardship Theory**

The basic assumption of this theory is that agents have both intrinsic and extrinsic motive to like their job and aligns with the shareholders' interests. The stewardship theory addresses that managers have also non-financial motivators to achieve better performance within an organization. Managers can be motivated to achieve and gain intrinsic satisfaction from those successfully performed challenges, the responsibility and authority they shoulder and with the recognition they get from their supervisors, subordinates, peers and other stakeholders of the company (McClelland 1961; Herzberg et al.1959). According to this theory, managers work to maximize the performance of their organization, safeguard their company, don't show opportunistic behavior and don't work to maximize their self-interest at the expense of the shareholders and other stakeholders of the company. Rather they work to be a good steward of their company (Donaldson & Davis 1991). This theory is opposite to the problem addressed

by the Agency Theory and promotes employees and managers to be given freedom and autonomy in their responsibility.

#### **2.4.4. Resource Dependency Theory**

Focuses on the role of corporate board in providing access to external resources needed by the firm. It states that directors have good connections to the external business environment and play an important role in providing and securing essential resources like capital, information, skills, suppliers, customers, public policy makers to improve the performance of their organization. The theory promotes for diversified and large board size with the assumption that as board directors number increases, there is high possibility for big external connection to get the expected resources.

### **2.5. Corporate Governance Mechanisms**

#### **2.5.1. Shareholders**

The shareholders or owners have the ultimate decision power in an organization. But they don't involve in the day-to-day operational and strategic issues of the company. They delegate power to their agents like board of directors & managers to lead & direct the organization on behalf of them. But they pass critical decisions through a general assembly where all the shareholders are expected to involve qualifying for the quorum. Marco & Frederic (2018) concluded that there is a negative causal relationship between employee satisfaction & shareholder right for the reason that as shareholders right increases, managers work hard to satisfy the owners by focusing on short-term returns and give less attention to long-term plans neglecting the well-being of the other stakeholders such as employee's satisfaction.

#### **2.5.2. Board of Directors (BOD)**

The board of directors is the governing body assigned by the shareholders general meeting. By law, the board is vested with authority to manage the corporation's business and affairs, and the board's members have a fiduciary responsibility to act in the best interests of the corporation and its shareholders. Muchemwa et al., (2016) explained that the board activities are framed from two theories perspectives i.e. Agency Theory and Resource Dependency Theory. According to the agency theory the board monitors and controls the management

(agent) functions to ensure that the management is working to satisfy the shareholders interest without or minim conflict of interest between the shareholders and management. From the perspective of the Resource Dependency theory-the board directors are assumed to have many connections and links with the external resourcing stakeholders and facilitate that communication.

Directors can be composed of persons or institutions who have or who don't have shares in the company. But the chairman shall be of only a person among the directors. There are a few factors related to the board of directors as listed below.

- a) **Board Composition:** Board of directors and top management team make different diversified and strategic decision of the firm. Having pool of diversified knowledge, skills, functional experience is substantial and improves the quality of the decision made by the board or top management. Creek et al. (2017) argue that a board with diverse directors adopts progressive management programs that help increases organizations performance and employee satisfaction.
- b) **Board Size-**Johari & Myint (2019) concluded that the board size (BS) affects the company's performance. There have been many arguments on this. Sunday (2008) claimed that large board is inefficient in communication and decision making. On the contrary Marn and Romuald (2012) claimed for a positive relationship between board size and firms' performance. A board with five members is believed to be the most effective one. According to the commercial code of Ethiopia (1960, Art347-367), company shall have not less three but not more than twelve directors whose size can be determined either in the memorandum of Association (MOA) or general meeting of subscribers.
- c) **Board Gender Diversity-**The board gender diversity (BGD) in the board room is getting more attention these days and looking females in board room is being taken as the sign of good corporate governance. One is a growing presence of female directors who, once rare, are now mandated in some countries to be at least 40% of the board's total (Paine & Sirmivisan, 2019).

**d) Independent Directors-**Independent directors (ID) are directors who have high expertise skill and experience in the sector and has neither commercial, professional, or family relation with the shareholders, BOD, management etc. They are required to improvise independency & minimize agency problem. The independent directors help to link the firms with wide resource network and will help the firm get resources at a lower cost. Though there are some contradicting opinions, independent directors positively affect firms' performance.

### **2.5.3. Audit Committee**

Auditors are assigned by the shareholders with clear roles & responsibilities to major confirm that the internal control policies and procedures are properly designed, developed, and implemented within the organization in the day-to-day BOD, management, and other members of the organization. They assure that policies and procedures are properly implemented to achieve its strategic objectives with transparency giving trust to the shareholders, statutory and regulatory organs. Auditors are always independent of the management and their presence increases the reliability of the financial reports produced by the management.

### **2.5.4. CEO & Executive Management Team**

The CEO leadership is a very important factors that affects the performance of the company and hence the company's performance is hypothesized to influence the employees' job satisfaction. The leadership behavior of the CEO is characterized by many attributes.

a) **CEO Characteristics-**CEO is the top executive that provides overall strategy and direction to the company he/she manages under the supervision of the Board of Directors or other supervising body and held responsible for all aspect of the company performance and believed to have seamless gap between the CEO and the firm (Lockmer ,2014). In the research made by Glick (2011), it was proved that CEOs have six roles i.e. informational, interpersonal, decisional, operational, strategic and diplomacy roles.

- b) **CEO Duality**-CEO duality is one of the debating issues in corporate governance. Some governance literatures, prompt for CEO duality and other for separation of CEO & chairman or 'Independent' leadership structure. They favor duality with assumption of 1- CEO can do the best decision at without any lapse of time waiting approval from the board.2-The dual CEO can crate stable & enhanced communication with the shareholders resulting in better confidence by the shareholders.3-CEO duality can reduce the board independence. Other scholars like Fama and Jensen,1983; Pi and Timme,1993 argue against duality justifying that the decision management and decision control have to be treated separately to keep the check-and-balance in place, reduce or avoid the agency cost. Daily & Dalton (1994) concludes that there is a strong & robust positive association between CEO duality and bankruptcies and hence recommend for the separation of the two roles.
- c) **CEO Ownership**- CEO ownership gives the most power for the CEO, the CEO works hard to achieve the goal of the firm and gets the power to manipulate the board decisions to the best interest of the company. Mark Zuckerberg (Facebook CEO), Lary Page (Google CEO), Jeff Bezos (CEO of Amazon) are the best and very successful CEOs who are owners to their respective companies. But there are scholars having a different opinion and saying that CEO ownership manipulates the board's decision for self-interest and compromise the benefits of the company for self-interest.
- d) **CEO Leadership Behavior**-Leadership is one of the evolving roles of CEOs. The newer models suggest CEOs are leaders not only within their organizations but also globally, and, as global citizens, the role is even more important (Antonioni, 2003; Matsumura & Shin, 2005). Upper echelon theory evolved into strategic leadership theory, which suggests organizations are truly reflections of their top leaders (Glick, 2011). Leaders can have strategic, transactional or transformational behaviors signaling different effect on their employees. Transformational leadership evolved from strategic leadership giving prior interest for the group long-term interest unlike the transactional leaders who focus on internal processes done and managing others the jobs done (Bass, 1990).

### **2.5.5. Code of Governance**

Codes of corporate governance are the set of rules, standards and principles used by the company to create common understanding among the company community and other stakeholders. They are just corporate laws. The presence of clearly articulated codes of corporate governance gives the power to the board of directors to be independent of the shareholders say to do convenient arrangements to the CEO and other executive management team so as to meet the objectivity of the company with substantial transparency.

Code of Governance can be classified in to three hierarchical classes i.e. international, national and corporate level codes to ensure transparency across the board. Depending on their type, the international and national codes of governance can be classified as standards(voluntary) and regulations(hard-law). Usually the corporate codes are soft-regulations, and they are called soft-law.

### **2.5.6. Internal Control**

Internal control system represents all the approved policies and procedures used by the management in order to achieve an effective management of business (Mihaela & Iulian, 2012). Having proper internal control systems helps company to confirm compliance with legislations, ensure the implementation of the management decision, proper functioning of internal activities, reliability of financial information and increase shareholders confidence, effectiveness of the business operation, efficiency of resource utilization, risk controlling and controlling of frauds (Mihaela & Iulian,2012; ICDF).

The first models of integrated control were conceived in the American market in the early nineties, with the development of the COSO (Committee of Sponsoring Organization) framework, which had the aim to support the companies in the evaluation and improvement of the system of internal controls (ICDF). According to COSO, Internal controls are administered by board of directors, management and all employees to guarantee efficient operational result, reliability of financial reports & adherence to related rules & regulations. The BOD is ultimately responsible for proper implementation of internal controls systems. According to Al-Zwyalif (2015), Internal control system has five components.

- a) **Control Environment**-board, management and employee concern and philosophy about the needs and importance of internal control activities
- b) **Risk Assessment**-Identifying internal and external risks to the business and controlling them
- c) **Control activities**-It is policies and procedures implementing operations including reconciliations, approvals, verifications, reviews of operation performances, segregation of duties at all levels of an organization to ensure company's goal are achieved (Shelton & whittinton,2008).
- d) **Information and Communication**-is about ensuring that employees are getting and receiving accurate and timely information related the work they are doing, company updates etc. This communication can be done externally with the external stakeholders. It is important to have transparent, open, and real-time means of communication within the organization irrespective of the nature of information and its subsequent outcome of the information.
- e) **Monitoring** -It is about ensuring that internal control systems are working, control environments are satisfactory, risks are properly addressed and controlled, whether control activities of the operation are accurate and appropriate, information exchange and communication is carried out properly across the organization and performances are reviewed. Monitoring is a continuous ongoing process in the case of operation control and can be executed with some time interval or case-by-case by the board of director, management and auditors.

### **2.5.7. Industrial Relation**

Corporate governance is a theory of firm to enhance and maintain smooth relationship between the employees and their employing organizations. According to the Stakeholder theory, Stakeholders demand the attention of the management to have a harmonized and long-term relationship with the firm. Employees are one the stakeholders of their organizations. Satisfied employees are less likely to quit their job and may demonstrate higher performance (Judge et al., 2001; Ostroff, 1992; Edmans, 2012).

Social exchange theory holds that high levels of Perceived Organizational Support (POS) lead employees to reciprocate by having more positive attitudes toward their organization (Eisenberger et al., 1986). Representation of the employees in the board of directors helps to develop the sense of responsibility within the employees and help to have effective implementation of those decisions made in the boardroom. According to the two-factor theory also known as Herzberg's motivation-hygiene theory employees can satisfy their intrinsic psychological motives like achievement, recognition, responsibility, advancement, and nature of work itself (Odhong and Omolo,2014).

### **2.5.8. Stakeholder Relation**

The stakeholders are defined as “any group or individual who can affect or is affected by the achievement of the organization's objectives” (Freeman, 1984:46). Organizations have different internal and external stakeholders that can have either positive or negative effect to the long-term success of the company. These stakeholders may be affected significantly by decisions made by CEOs and boards of directors and the stakeholders of the company can change from time due to board and management decision or due to external factor that can't be controlled by the company. According to the stakeholder theory or stakeholder model, the board and the management should balance the profit maximization interest of the shareholder with the other stakeholder's interest to achieve the long-term objective of the company. Business ethics, sustainable development or social responsibly are the values for stakeholders and corporations enlighten these through CSR-Corporate Social Responsibility (Oubihi and Elouidani, 2016). Zollinger (2009) defined and framed the business-Society relationship using three terminologies as follows.

- a) **Corporate Citizenship-** It is about understanding of the expectation of the community and interacting in ethical and socially responsible manner. Good corporate citizenship involves legal compliance, employee relations, good environmental performance, transparency, human rights, product stewardship, and communication with stakeholders, profitability, strategy integration, and community involvement.

- b) **Corporate social responsibility**-It is a voluntary practice of giving recognition to both internal and external stakeholders, as well as local and international communities and the natural environment.
- c) **Sustainability**-It is about managing the company operation or process in a way that it can be maintained at a certain level indefinitely.

## **2.6. Job Satisfaction**

There is no single definition to job satisfaction. Different scholars have given different definitions for employee job satisfaction. Locke (1976) defined it as a pleasurable emotional state arising from the appraisal of one's job. Brief (1988) defined employee job satisfaction as an attitude of an employee towards his job. According to Luthans (2005), employee job satisfaction is measured using factors such as work condition, pay, work environment, promotion, supervision-worker and organizational policies. Job satisfaction measures how employees are happy with their job and how they like it.

Employees Job satisfaction is one of the most important but neglected topic by organizations. Employees can either be satisfied and become happy or dissatisfied with their work. Satisfied and dissatisfied employees exhibit differently in their work. Usually satisfied employees like their job; show high job performance, high loyalty, less absenteeism and less work accidents. But dissatisfied employees exhibit opposite behaviors. Job satisfaction affects employee's job performance; firm performance and its value (Edmans,2012).

Job satisfaction is affected by intrinsic (Personal Factors), and extrinsic factors i.e. Factors Inherent in the Job (Job Culture) and Factors Controlled by the Management (business leadership). Most organizations focus on the first and the second factors as the main factors affecting employees job satisfaction. But the third factor i.e. business leadership (corporate governance) is the key factor affecting employees' attitude towards their job. Shilpajainusms (2010) stated that organizations should have clear and consistent structure, policies, procedures, strategy, internal control mechanisms, organizational culture and people to ensure job satisfactions.

## **2.7. Theories of Job Motivation/Satisfaction**

### **2.7.1. Equity Theory of Motivation**

Adam (1963) developed this theory and stated that employees sense the fairness of their compensation(outcome) compared to their input. They also compare their benefits with the benefit of their colleague or people working similar job in other places and perceive that they are fairly or equitably rewarded, over-rewarded or under-rewarded. According to this theory, employees are motivated and work harder if they perceive that they are over-rewarded, continue normal, dissatisfied and their output drops if they have under-rewarded perception.

### **2.7.2. Maslow's needs theory of motivation**

This theory explains that humans have five hierarchical levels of needs. These are: Psychological needs, Safety needs, Social needs, Esteem and Self-actualization. Humans are satisfied when their needs are fulfilled. Job helps employees fulfil their different needs i.e. they earn money from their job to fulfil their psychological needs; they feel safe with job security & safe working environment; they get social satisfaction when they have friendly relationships with their colleagues and supervisors, they feel proud and confident with their profession and job type and satisfy their self-esteem need.

### **2.7.3. Herzberg's Motivation-Hygiene Theory**

It is also called Two-Factors Theory. This theory states that there are satisfying and dissatisfying factors in the work place. Herzberg et al. (1959) stated that there are separate & mutually exclusive set of factors in the work place which cause either job-satisfaction or dissatisfaction. Certain job intrinsic factors such as achievement, reward, recognition, nature of work, carrier growth & responsibility give satisfaction to employees and called job-satisfiers. Whereas, hygiene factors are extrinsic to the job and prevent job-dissatisfaction when fulfilled. These factors are: interpersonal relations (with supervisors, peers and subordinates), Salary, Supervision, Work condition, Company policy and administration. Low salary (salary increment), vague company policies, unsafe and poor working condition, poor supervisor and leadership can cause job-dissatisfaction (Alshmemri et al.,2017).

#### **2.7.4. Job Design Theory**

According to this theory, the nature and type of job employees are engaged with determines their satisfaction or motivation level. Herzberg (1959) stated that employees are happy and satisfied with relevant, enlarged and enriched jobs that give opportunities for professional growth, advancement, more responsibility, achievement. Hackman and Oldham (1980) developed Job Characteristics Model stating that any job needs to consider these five job characteristics (Skill Variety, Task Identity, Task Significance, Autonomy and Feedback) to motivate and maintain employees job satisfaction.

#### **2.8. Factors Affecting Job Satisfaction**

Since job satisfaction is a multifaceted construct, different scholars give different definitions for job satisfaction. Generally, job satisfaction is either the positive or negative feeling or attitude of someone towards his/her job. Scholars classify job satisfaction affecting factors as intrinsic factors and extrinsic factors. Work characteristics, pay and promotion are treated as intrinsic factors. Whereas, work colleagues, career growth, organizational support, recognition, accomplishment are extrinsic factors of job-satisfaction (Koeske et al.,1994). Pay, work characteristics, promotion, working environment, supervision and co-workers are the most widely used factors affecting employees job satisfaction (Luthans,2005). Ellickson & Logsdon (2001) concluded that the presence of adequate work equipment, resources, training opportunities & fair work-load distribution affects job-satisfaction positively and significantly. Likewise, Spector (1985) defined job satisfaction using nine dimensions i.e. pay, promotion, fringe benefits, recognition, rewards, operating procedures, supervision, co-workers, working condition and communication.

#### **2.9. Relation between Good Corporate Governance & Job satisfaction**

Numai & Delle (2014) stated that corporate governance and governance factors such as internal control, corporate structure and code of governance significantly and positively predict employee job satisfaction. Employees are satisfied when they get an opportunity to apply their knowledge and skill, perform multiple tasks, involve in decision making, have good supervisors, get recognition and incentive (Basset,1994). Shalrajainusims (2010) stated

that organizations must have consistency in their in their structure, systems, internal control mechanisms and good organization culture to maintain employee's satisfaction to their organizations. Cekmecelioglu and Dincel (2014) showed that corporate reputation which is the result of good corporate governance affects employee's job satisfaction, wage satisfaction and organizational commitment.

Yusoff & Alhaji (2012) support that key issues such as flow of information from senior management to lower ranks, interpersonal relations and working environment are all critical issues that should be considered, when it comes to firm performance. Information provided to employees regarding corporate issues and employee involvement in the company affairs regarded as an important factor in a company's performance and its corporate governance improvement.

Lower (2009) supports that employee representation can be seen as a further tool for monitoring board performance and as similar to the use of outside directors. He also states that employee participation can provide them additional incentives to work well and increase their loyalty and commitment to the company; thus, reducing the need for supervision costs. Employee involvement in a company's issues and representation in the board could also increase their awareness of the governance practices within the company.

In our daily practical work experience, we see that when employees involve in the corporate decisions, it creates sense of ownership and gives positive image to the firms' value, by strengthening the monitoring of the management and increase transparency and accountability. On the other side, employees reap the benefits from being involved in the corporate governance processes of an organization by increasing their bargaining power, improving their working environment and feel more productive and committed to their work; these will in turn affect their overall job satisfaction.

## **2.10. Empirical Review**

There are different researchers who did their research thesis by evaluating the effect of corporate governance on employee job satisfaction but most of the research papers address the effect indirectly by dealing with the relation between corporate governance and firms'

performance. Research workers differently describe the factors contributing to job satisfaction and job dissatisfaction. Hoppock, describes job satisfaction as, “any combination of psychological, physiological and environmental circumstances that cause and person truthfully to say I am satisfied with my job.”.

Numi & Delle (2014) studied the effect of corporate governance on employee job satisfaction by doing quantitative research study on 196 sample respondents from the Ghanaian telecommunication sector, Accra. They used three determinants of corporate governance i.e. corporate governance structure, internal control & code of governance. They did correlation and regression analysis to test their hypothesis. The result showed that corporate governance positively and significantly affects job satisfaction ( $\beta=.422$ ,  $p=.000$ ), corporate structure significantly and positively predicted job satisfaction ( $\beta=.545$ ,  $p=.000$ ), Code of governance positively and significantly predicted job satisfaction ( $\beta=.173$ ,  $p=.026$ ), internal control didn't significantly predict job satisfaction ( $\beta=.113$ ,  $p=.119$ ).

Alamerew, Belay & Shishigu (2016) studied the effect of Governance on Employees' Job satisfaction in Gonder University. They used 338 randomly selected sample size both from the academic and supportive staff. According to the study Governance positively and significantly predict job satisfaction ( $r^2=.674$ ,  $p=0.01$ ).

Andrew (2010) studied the effect of corporate governance on employee job satisfaction by taking 150 samples from the Kenyan immigration department using stratified sampling method. Both quantitative and qualitative data were used.

Alawaqleh (2021) studied the effect of Internal Control on the Employee Performance of Small and Medium-Sized enterprises in Jordan. The result showed that internal control has significant impact on employee performance ( $\beta=0.920$ ;  $CR=6.958$ ;  $p=0.000$ ).

Osei et al., (2022) studied the effect of corporate governance elements on employee performance in the Ghanaian banking industry using explanatory research design. Sample size of 200 respondents were selected using purposive and convenience sampling technique. 150 responded (75% response rate). The study found that there is significant relationship between employees' performance and leadership style. The hypothesis testing showed that internal

control systems don't have a significant positive impact on employee performance ( $\beta=.048$ ,  $t=0.144$ ,  $p=.886$ ). Leadership style was found to have significantly positive effect on employees performance ( $\beta=.0268$ ,  $t=3.021$ ,  $p=.003$ ). Organizational culture was not found to have significantly positive impact on employees performance ( $\beta=.204$ ,  $t=.618$ ,  $p=.537$ ). Organizational structure was found to have significantly positive effect on employees performance ( $\beta=.308$ ,  $t=3.707$ ,  $p=.000$ ).

Sukdeo et al., (2017) studied the influence of corporate governance on employee welfare. They selected 70 respondents from a paper manufacturing company using random sampling technique and did both descriptive and inferential statistical analysis. Responses were collected using self-report questionnaire. They drew a conclusion that corporate governance, including the management and shareholders must give attention to their human resource to maximize the employees job satisfaction.

Dusane and Bhamare (2021) conducted a research study to assess the effect of corporate governance on employee's efficiency in the IT sector, Mumbai City Council. The research was conducted by taking primary data using self-report questionnaire. Data collected from 150 randomly selected respondents with the response rate of 94%. Their hypothesis testing showed that Corporate Governance has significant impact on employee efficiency.

Joshua, Yusheng & Agyemang (2017) studied the impact of Corporate Governance on Job Satisfaction in Uganda. The study aimed to explore predictive relationship between corporate governance and employees job satisfaction by selecting three dimensions of corporate governance (corporate structure, code of governance & internal control). Primary data was collected using questionnaire from 196 based on convenient sampling method. Correlation and regression hypothesis test were made and the result showed that all the three dimensions of corporate governance (corporate structure, code of governance and internal control) significantly and positively predict employees job satisfaction.

Menner & Menninger (2018) studied the causal effects of Corporate Governance on Employees Satisfaction. The study emphasized the impact of increase in shareholders right on employee's satisfaction. The study showed that negative causal effect of stronger shareholder

rights on employee satisfaction for the reason that managers and employees focus on short-term interest.

Callaghan (2016) studied the effect of board composition and board size on the financial performance on Hohenberg stock exchange company using empirical approach and regression data analysis. Secondary data collected from 338 companies' annual reports were used. According to the study board composition (non-executive to executives) ratio does not have significant and positive association with firm performance ( $t=0.973, p=.331$ ) unlike positive and significant association found in other studies (Weisbach, 1988; Byrd & Hickman, 1992; Coles & Terry, 1994). Similarly board size is not found to have significant association with the firm's performance ( $t=-0.232, p=0.816$ ).

Job satisfaction is inversely related to turnover intentions and low employee turnover increases organizational productivity and performance (Medina, 2012). Steijn (2005) found that both job and organizational satisfaction are independently relevant for the turnover intentions and that employees who are more dissatisfied on one of these variables are more inclined to look for another job. According to Randstad's engagement study in 2013, company reputation is an important determinant in attracting new employees. Nearly all of the participants in the study, report it would be important for their new company to have a good reputation among its employees, while nearly 86% of those say it is important to have a good reputation in their community.

Inayat and Khan (2021) studied the effect of job satisfaction on organization performance taking N=180 samples from private organizations. The research finding showed that there is a significant and positive correlation between job satisfaction and employee performance. The Descriptive statistics of the research study showed that satisfied employees have higher productivity (Mean score=22.89, SD=3.736) than productivity of dissatisfied employees (Mean score=18.8, SD=4.668).

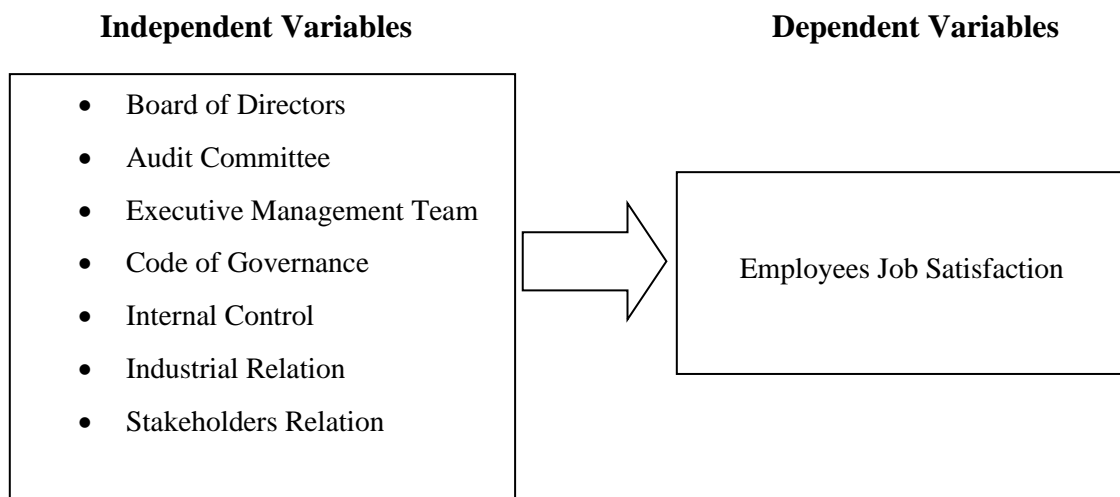
### **2.11. Research Gaps**

In reference to this research study, the previous conducted studies reviewed showed methodological and contextual gaps. Those studied outside exhibits geographical and industry

context gaps. Numi and Delle (2014) conducted similar studies on Ghanian Telecom by using three governance variables without including the remaining four variables addressed in this study. Coming to the locally conducted research studies, Alamerew et al.,2016 conducted a study having similar title with this study. This study focused on Gonder university and used good governance factors as variables instead of corporate governance factors used in this research studies. This study exhibits both metrological and context gaps. So, this research study addresses the untouched food processing sector and expand the scope of the previous studies by including Audit committee, Executive management body, Industrial Relation & Stakeholder relation management as corporate governance explaining variables.

### 2.12. Conceptual Framework

The way a company is governed is believed to have an impact on the employees’ motivation, attitude and satisfaction with their job. Corporate governance is multidimensional case composed of factors like board of directors, management team & CEO, internal controls, codes of governances, the way of managing the relationship between employers and employees named by industry relation, and stakeholders management. This research work conceptualized these as independent variables (determinants) and Employees job satisfaction as dependent variable. So, the research evaluates the relationship between the dependent variables with each independent variable listed in the block below.



*Fig. 1.1. Conceptual Model*  
 (Source: Adapted from different literature reviews)

## **CHAPTER THREE**

### **3. METHDOLOGY**

#### **Introduction**

This section deals with how this research work is carried out to identify The Impact of Corporate Governance on Employee Job Satisfaction. The chapter deals with the research design, research approach used. It explains about the population framing and sampling method, research instrument used, data type and collection procedure, the research model and data analysis tool used by the researcher.

Kothari (2004) defined research methodology as the way to systematically solve the research problems using scientific knowledge, predefined research methods and research approach techniques.

#### **3.1. Research design and approach**

In this research study, explanatory research design is used. Quantitative research method and cross-sectional data survey method were used to collect respondents' opinion about corporate governance practices related board of directors, executive management body, audit committee, internal controls, industrial relation management and stakeholder relation management at a particular point of time. The respondents' opinions are measured using a five-point Likert-scale. Since the aim of the research study is to evaluate the causal relationships between the corporate governance and job satisfaction, correlational data

#### **3.2. Data types & sources**

Primary data were instrumentally collected from sample employees of the five private food manufacturing share companies. Secondary data and information used for literature review section were gathered from published articles, thesis and dissertations, e-sources and reference books.

### **3.3. Data Collection Method**

A structured questionnaire was used to collect the research data. Structure questionnaire is a simple, quick and easy method of data collection with some problem of compromising the respondents between few alternatives (Cleave,2023). The study used two different questionnaire instruments to measure corporate governance and job satisfaction. Employee job satisfaction data was collected using the standardized Job satisfaction survey (JSS) developed by Spector (1985). The instrument has nine facets i.e. pay, supervisor, promotion, fringe benefits, operating conditions, contingent rewards, operating conditions, co-workers, nature of work & communication). A Five-point Likert-Scale was used to measure their satisfaction level with 5=strongly satisfied, ...,3=neutral,1=strongly dissatisfied.

Similarly, the corporate governance survey questions were adopted from the questionnaire used by Gaymerah and Agyie (2016) from the Organization for Economic Cooperation and Development (OECD,2016). This section has seven facets (Board of directors, Audit Committee, Code of Governance, Internal Control, Industrial Relation & Stakeholders Relation). A five-point Likert-Scale (5=Strongly Agree,3=Neutral....1=Strongly disagree) to measure the presence of those governance items in the organizations.

Connelly (2008) recommended the importance of conducting a pilot survey and check the validity, adequacy and reliability of the research questionnaire ahead of the main survey. A sample size of 10% of the population of the study is recommended to be adequate to carry out the pilot survey. The pilot survey was conducted.

### **3.4. Factor Analysis**

Questionnaire items are analyzed using factor analysis (Principal Component Analysis) to check how strongly the questionnaire item can explain the question and how the item strongly overlaps with the other items. Correlation & loading between the different items & are evaluated and those with loading value of less than 0.4 are rejected as they are assumed to be weak factor (Hair et.al.,2010).

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.783
Bartlett's Test of Sphericity	Approx. Chi-Square	3372.671
	df	946
	Sig.	.000

### **3.5. Questionary Validity & Reliability test**

The questioner is tasted for its accuracy and consistency. Taheddor (2016) claimed the importance of conducting validity and reliability test to ensure that the items consistently describe the dimensions being treated by the research, its content and accuracy. Cronbach alpha( $\alpha$ ). is used to estimate the proportion of variance that is systematic or consistent in a set of test scores. It can range from 00.0 (if no variance is consistent) to 1.00 (if all variance is consistent) with all values between 00.0 and 1.00 also being possible (Brown, 2002).

**Table 3.1. Pilot test Reliability value**

Scale	Cronbach's Alpha based on Standardized Item	Number of items
Board of Directors (BOD)	0.834	5
Audit Committee (AC)	0.830	4
Executive Management (EMT)	0.827	5
Codes of Governance (COG)	0.852	5
Internal control (IC)	0.840	6
Industrial Relation (ER)	0.820	5
Stakeholders Relation (SR)	0.815	5
Employees Job Satisfaction (EJS)	0.871	9

Source: The survey data of this research work (2022)

### **3.6. Population & Sampling Design**

Only those private manufacturing companies who have Board of Directors are addressed with this research. Most of the private manufacturing companies are either sole proprietors or private limited companies and they are managed either by the owner or his agent without having Board of Directors. Thus, such companies are not part of this research topic. Random

sampling method is used, data collected from five companies which are private & have board of directors at the top of their leadership tier.

Those permanent & temporary employees of these five companies are used as the population of the survey. Those outsourced contractors' workers working in these companies are governed by the contracting firm and they are not part of the research population. Sample size is determined using Solvin's formula. Most academic research works show 95% confidence interval (5%) error tolerance gives accurate result and the higher the confidence interval the more accurate it is (MacDonald & Headlam, n.y). Due to the limitation of information about the subject matter among those employees below supervisor levels, supervisors and above are selected for the questionnaire survey.

Table 3.2. Sample Size Determination Table

S/n	Company	N-number of staffs (Supervisor & above)	e	$n = \frac{N}{1 + N(e^2)}$
1	ASTCO Foods Manufacturing S.C	29	0.05	27
2	BBZ Foods Manufacturing S.C	21	0.05	20
3	Kaliti Foods Manufacturing S.C	32	0.05	30
4	Health Care Foods Manufacturing S.C	26	0.05	24
5	Ahadukes Foods Products S.C	22	0.05	21
	Total	130		122

$$n = \frac{N}{1 + N(e^2)}$$

Where: - n=sample Size, N=population size, e=margin (tolerance) of error.

### 3.7. Definition of variables

a) **Dependent variable:** In a research project which seeks to establish cause and effects between variables, the potential causal variable is known as the independent variable, and the variable(s) where effects are under scrutiny is dependent (MacDonald & Headlam, n.y). In this case, Employees Job Satisfaction is the dependent variable of the research work.

b) **Independent Variables:** The causal variable is known as the independent variable, and the variable(s) where effects are under scrutiny are dependent variables

(MacDonald & Headlam, n.y). In this study Board of Directors, Audit Committee, Executive Management Team, Internal Control, Codes of Governance, Industrial Relation Management & Stakeholder Relation Management are the independent (Predicting) variables.

### 3.8. Model Specification

Multiple Linear Regression Model is used to regress the panel data and evaluate the relation between the dependent variable (Employees Job Satisfaction) and the independent variables such as Board of Directors, Audit Committee, Executive Management Team, Code of Governance, Internal Controls, Industry Relation Management & Stakeholders Relation Management). The model helps to understand the Impact and magnitude of the dependent variable due to some number of variances with the corporate governance variables.

Given  $n$  observations,  $y$  dependent variable and  $x$  is independent variable,

$$EJS = \beta_0 + \beta_1 BOD + \beta_2 EMT + \beta_3 AC + \beta_4 COG + \beta_5 IC + \beta_6 IRM + \beta_7 SRM + \varepsilon$$

**Whereby:**

$\beta_0$ =intercept of the model,  $\beta_{1i}, \beta_{2i}, \dots, \beta_{6i}$  are regression coefficients,  $\varepsilon$  is Stochastic error,

BOD meant Board of directors,

AC is Audit Committee,

EMT is Executive management,

COG is Code of Governance,

IC is Internal Controls,

IRM is Industrial Relation Management &

SRM is Stakeholder Relation Management.

Employee Job Satisfaction (EJS) which is the dependent variable that is regressed against those listed independent variables in order to determine the degree of influence of those independent variables (Governance factors) on employees' satisfaction.

### **3.9. Method of Data Analysis**

Data is analyzed using statistical tools. IBM SPSS statistics Version 26 is used to analyze the data. Descriptive and Parametric tests including mean, standard deviation; t test, analysis of variance (ANOVA), Pearson correlation and linear regression are done to the collected data.

### **3.10. Ethical Consideration**

The research work is executed ethically by keeping the confidentiality of the respondent's identity and responses, by informing them the purpose of the questioner and building their confidence, keeping the company's information and using only for the intended academic research work by properly disposing the filled questionnaires after finishing this research to build their confidence, the purpose is communicated both orally and writing on the questioner .The research data will be used only for this research purpose. It can't be used also for any other similar research work. The quest consent and willing of the respondents and their companies is duly respected. Any behavioral response the respondent shows during questioner dispatching, communication, data collection, analysis and interpretation is treated not personal.

## CHAPTER FOUR

### 4. DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

#### Introduction

This chapter deals with the data analysis, presentation, and interpretation of the research findings. Out of the 122 distributed questionnaires, 96 were returned and the response rate was 78.7% and qualified the minimum criteria set by Babbie, 1990. The response rate above 70% is very good, 60% is good and 50% is adequate. The demographic data were analyzed using descriptive statistical analysis technique (mean, average & standard deviation). Correlational and regression statistical data analysis were used to analyze corporate governance and job satisfaction data. All the data were analyzed using SPSS version 26 software.

#### 4.1. Descriptive Statistical Analysis

Demographic information of the respondents was collected with the aim of having complete information of the survey data, increase the validity of the data, understand the employees' composition & proportion in terms of their gender, educational level, years of experience & Job position. The information can help as a base information in the future to understand the effect of the demographic factors in such related research studies.

#### 4.1.1. Demographic Data Analysis

##### A) Gender

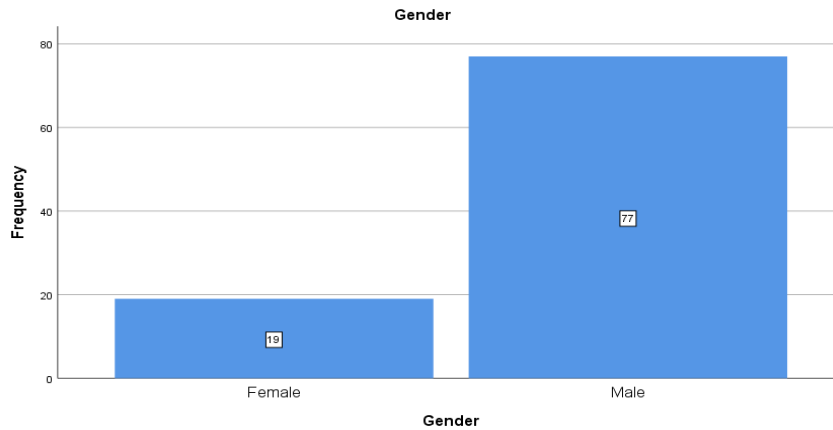
**Table 4.1:** Gender of the respondents

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	19	19.8	19.8	19.8
	Male	77	80.2	80.2	100.0
	Total	96	100.0	100.0	

Source: Survey data (2023)

Out of the total 96 respondents, 19(19.8%) respondents were female and 77(80.2%) were male. This implies that females are less represented in the workforce of the studied

organizations. From the critical mass theory of management perspective the female workers effect to the organization can be dominated as their number is less.



**Fig. 4.1:** Gender of the respondents

The bar graph shows that males were well represented and dominated the workforce force of the organizations. Different researches show that the inclusion of females to the workforce and management significantly improves organization performance. Therefore, the organizations are advised to improve the gender composition and females' representation in the workforce.

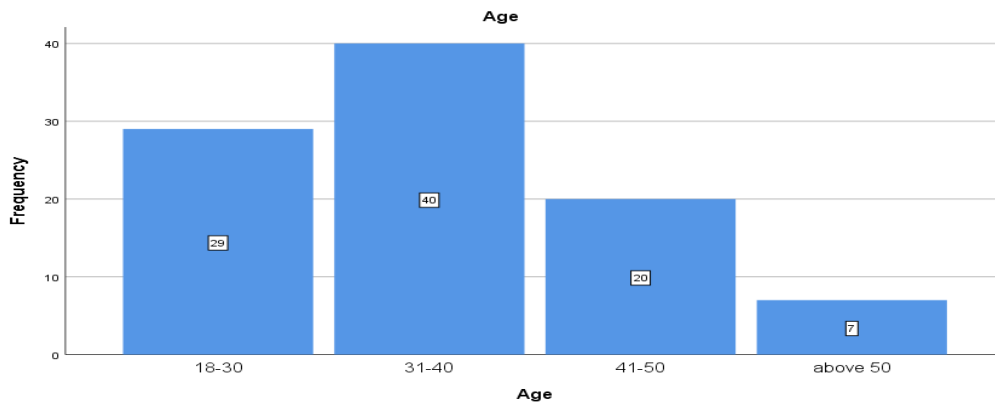
### B) Age

**Table 4.2:** Age of the respondents

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30	29	30.2	30.2	30.2
	31-40	40	41.7	41.7	71.9
	41-55	20	20.8	20.8	92.7
	above 55	7	7.3	7.3	100.0
	Total	96	100.0	100.0	

Source: Survey data (2023)

The table shows that 30.2% of the employees are in the age of 18-30 years old. 41.7% of the respondents are in the age of 31-40 years old. This is the most productive and career development age. 20.8% of the respondents are in the age of 41-50 years old. The remaining 7.3% are in the age of above 50 years old. Different studies show that as workers age increases, their productivity and creativity decrease and they demand less.



**Fig.4.2:** Age of the respondents

The bar graph shows that most of the employees are within the age of 31-40 years old. This is the highest age group. Whereas, employees older than 50 years old are very less in proportion showing that the industry is populated with young, trainable and very active age group demanding strong leadership and strong governance systems promoting rules & principles better.

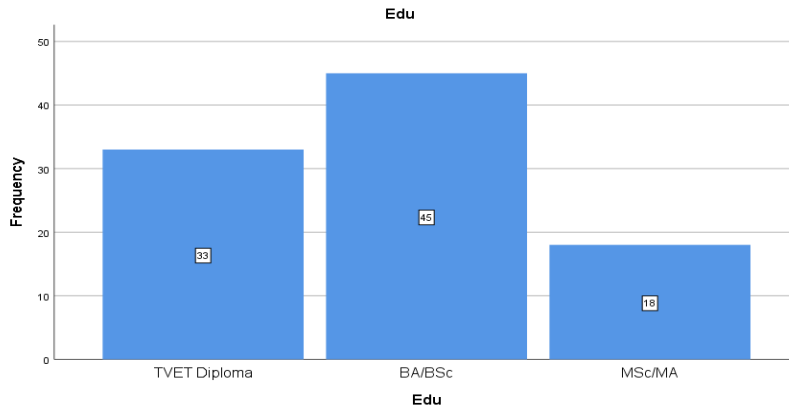
### C) Academic background

**Table 4.3:** Educational level of the respondents

Edu					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TVET Diploma	33	34.4	34.4	34.4
	BA/BSc	45	46.9	46.9	81.3
	MSc/MA	18	18.8	18.8	100.0
	Total	96	100.0	100.0	

Source: Survey data (2023)

This table shows that 34.4% of the employees are TVET or diploma graduates, 46.9% are under-graduates, 18.8% are second degree holders. Most of the respondents are first degree holders. As employees learn and improve their educational level, they become more ambitious to develop their career and they need a conducive environment for this.



**Fig.4.3:** Educational level of the respondents

The graph shows that first-degree holders are the highest in number and second-degree holders are lowest in number.

#### D) Experience

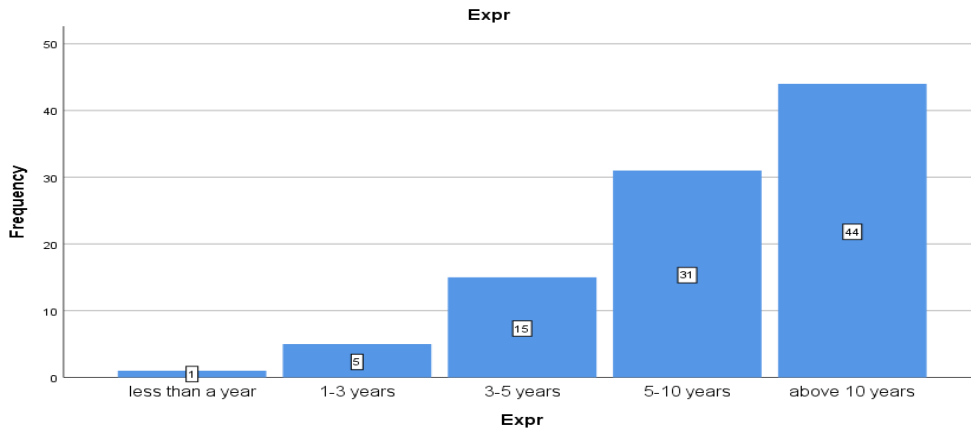
**Table 4.4:** Work experience of the respondents

		<b>Expr</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than a year	1	1.0	1.0	1.0
	1-3 years	5	5.2	5.2	6.3
	3-5 years	15	15.6	15.6	21.9
	5-10 years	31	32.3	32.3	54.2
	above 10 years	44	45.8	45.8	100.0
	Total	96	100.0	100.0	

Source: Survey data (2023)

The table shows that 1% of the respondents have less than 1 year experience, 5.2% of the respondents have 1-3 years of experience. 15.6% of the respondents have 3-5 years of

experience,32.3% of the respondents have 5-10 years of experience and 45.8% of the employees have more than 10 years of experience. As different research study show, employees get matured and satisfied with their career.



**Fig.4.4:** Work experience of the respondents

The graph shows that the highest number of respondents have more than 10 years of work experience and those respondents less than 1 year of experience are the least in number and proportion.

### E) Job position

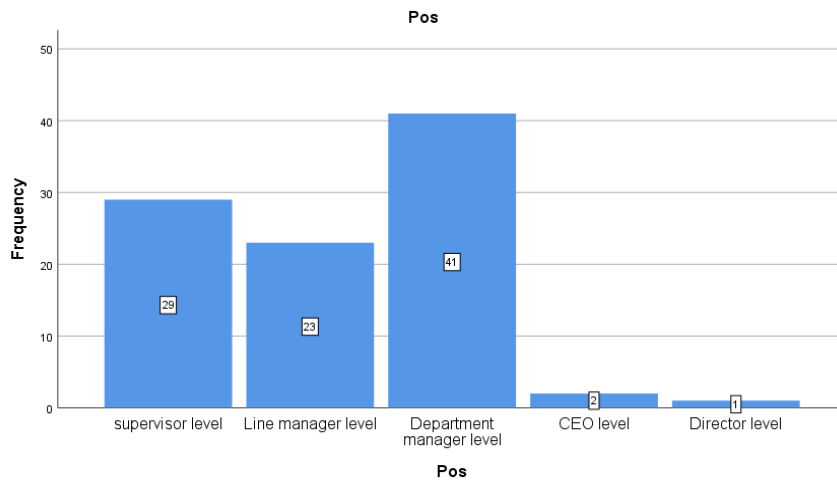
**Table 4.5:** Job position of respondents

		Pos			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	supervisor level	29	30.2	30.2	30.2
	Line manager level	23	24.0	24.0	54.2
	Department manager level	41	42.7	42.7	96.9
	CEO level	2	2.1	2.1	99.0
	Director level	1	1.0	1.0	100.0
	Total	96	100.0	100.0	

Source: Survey data (2023)

The above table shows that 29(30.2%) respondents are at supervisor level, 23(24%) respondents are line manager level, 41(42.7%) respondents are at department manager

level,2(2.1%) respondents are at the CEO level and 1(1%) respondent is at the board director level.



**Fig.4.5.** Job position of the respondents

The bar graph shows that the highest number of respondents are the department manager level and respondents at the board director level are the least in number. The number of respondents at the executive and director level is very small compared to the respondents in other positions.

#### **4.1.2. Mean Value of Determinants of Corporate Governance**

This section deals with the mean values of the scale items describing corporate governance which is latent and described by other describing items. Corporate governance mechanisms like board of directors, audit committee, executive management body, code of governance, internal control, industrial relation management and stakeholders’ relation management are not measurable by themselves. They need other describing features to evaluate the responses of the respondents. The mean value of the latent variable is the composite mean the individual items. The following table shows the mean value of the seven corporate governance mechanisms addressed by this research study. The mean value of the items is interpreted on the basis of Likert-scale guideline. 1-1.8 stands for strongly disagree/dissatisfied, 1.9-2.6 for Disagree/dissatisfied, 2.7-3.4 Moderate, 3.4-4.2 Agree/Satisfied, 4.3-5 Strongly agree/Satisfied (Moseley,2011, A guide to Likert-scale questionnaire survey).

Table 4.6: Mean of determinates of Corporate Governance

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
M_BOD	96	2.6396	.80033
M_COG	96	2.9292	.82128
M_EMB	96	3.0000	.85495
M_AC	96	2.7125	.95490
M_IC	96	2.6877	.77568
M_SRM	96	2.6771	1.06874
M_IRM	96	2.8646	1.10138
M_EJS	96	3.0533	.74466
Valid N (listwise)	96		

Source: Survey data (2023)

The table shows that the respondents moderately agree that their companies have strong code of governance, the executive management body and industrial relation management. They don't agree that the board of directors, audit committee and internal control and stakeholders' relation management are good and strong. The overall mean value show that the corporate governance systems are moderately strong (mean=2.7645) and the respondents are moderately satisfied (mean=3.0533).

**Table 4.7:** BOD items mean.

<b>Board of Directors</b>			
	N	Mean	Std. Deviation
Board Size: The number of directors in the board is enough to make the board perform & lead the organization as expected.	96	2.4167	.95880
Gender Diversity: The gender diversity in the board is well maintained and female board members are supporting the board a lot.	96	2.8750	1.09784
Independent Directors: There are outside and independent directors in the board, and they give better competency to the board to have wider perspective.	96	2.6562	1.08413
Strategic Role: The board plays strategic role by developing strategy, delegating proper power, and making game changing decisions.	96	2.5625	1.04441
Accountability: The board exercise accountability to the shareholders and relevant stakeholders.	96	2.6875	1.16359
Valid N (listwise)	96		

Source: Survey data (2023)

The mean values of the board of directors’ constructs don’t show that the total number of directors and those independent-directors are enough. Likewise, the constructs mean value show that respondents don’t agree that the board of directors plays significant strategic leadership role and establish accountability cultures in the organizations. Different literatures, Resource Dependency Theory and the Agency Theory of corporate governance claim that the board of director can have good monitoring capacity and poll of different competency when their number is large. Different scholars also claim that the presence and representation of women in the management & board of directors significantly improves firms’ performance & social relations. It shows that women are moderately represented in the board of directors it demands further improvement. Generally, the analysis shows the importance of reviewing the board of directors’ structures in the organizations.

**Table 4.8:** Mean of Code of Governance (COG) items

<b>Code of Governance</b>			
	N	Mean	Std. Deviation
Rules & Regulations: There are internal policies and procedures governing all the shareholders, board of directors and management team	96	2.8542	1.11430
Accountability: There is accountability with the BOD, management and other members of the organization in the decision-making process.	96	2.7812	1.06823
Transparency: there is a culture of transparency in the organization’s decision-making process giving confidence and harmony to the stakeholders in the organization.	96	2.8854	1.12268
Fairness: the policies and procedures ensure that there is fair & harmonized relationship among the shareholders, management, and the employees.	96	2.9583	1.02512
Valid N (listwise)	96		

Source: Survey data (2023)

The code of governance constructs means values show that the quality of code of governance are moderate. Not poor and not strong enough. It demands the organization to do further improvements. The implementation and maintenance of code of governance in the organizations help the management and the board of directors to behave ethically, make principle based and fair decisions.

**Table 4.9:** Internal control items mean.

<b>Descriptive Statistics</b>			
	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Policies & procedures: There are internal control guidelines, policies and procedures to control non-compliances to the company's business processes.	96	2.6979	1.24071
Commitment: The board, management and employees are committed in implementing internal controls.	96	2.6146	.95554
Risk controlling: The company has risk assessment and controlling system.	96	2.5313	.90557
Implementation: Internal controls are executed across all departments & processes levels to ensure processes & transactions are going with check-and balance in line with the company rules and policies.	96	2.8438	1.15465
Communication: There is standard communication procedure and practice which is open to all to share information, work orders, reports, updates etc. across the company.	96	2.8854	1.27213
Internal auditing: The internal auditor conducts regular audit to verify that internal controls are implemented in every department and process levels.	96	2.5521	.98269
Valid N (listwise)	96		

Source: Survey data (2023)

The table show that the organizations have moderate strength in implementing internal control across all the functions and the internal communications qualities are moderately strong. They are advised to improve them to excel better. But the respondents response don't show the organizations strength in terms of risk controlling, internal auditing, board commitment to internal controls & proper implementation of internal control policies and procedures. Different research studies show that lack of internal controls cause employees dissatisfaction. Different research studies show that the lack of internal controls in organizations cause employees dissatisfaction.

**Table 4.10:** Industrial relation items mean.

Descriptive Statistics			
	N	Mean	Std. Deviation
Collective bargaining-The company is positive for collective bargain agreement and employees benefit such as insurance, healthcare; transportation, cafeteria etc are provided to the employees.	96	2.6354	.98536
Communication-There is smooth & productive communication with your supervisor and co-workers.	96	2.9062	1.11524
Pay-The salary your company is paying to you is proportional to the work you deliver.	96	2.4375	1.15906
Recruitment-There is transparency in the selection & recruitment activities of the company.	96	2.7292	1.14689
Work Environment-The work environment is safe, safety standards are meeting, and you are comfortable to work in it.	96	2.6771	1.01042
Valid N (listwise)	96		

Source: Survey data (2023)

**Table 4.11:** Stakeholders Relation Management mean

Descriptive Statistics			
	N	Mean	Std. Deviation
Balancing: Every decision of the board and the management balances the financial goal of the company with the interest of the community.	96	2.6875	1.25079
Compliance: The organization gives attention to keep legal compliance, good quality to its products & services.	96	2.6354	1.24071
Corporate Social Responsibility: The organization includes CSR or BSR (Corporate social responsibility) into its core functions and strategic plan.	96	2.7292	1.33361
Long term benefits: The board and management work to make the organization competitive in the long-term instead of maximizing the short-term opportunities and gains.	96	2.6667	1.30317
Interactions: The organization maintains exercises good interaction with the different stakeholders to maintain the relationships.	96	2.6667	1.18470
Valid N (listwise)	96		

Source: Survey data (2023)

The table shows the respondents don't agree that there is good stakeholders' relation management system. The response shows that organizations have the difficulty to balance their financial goal with the other stakeholder's interest. It shows that there are gaps in

corporate social responsibility concerns, in maintaining actions that bring long-term benefits and consistency in complying quality standards of their products.

### 4.1.3. Mean Value of Employees Job Satisfaction Factors

**Table 4.12:** Employee Job satisfaction items statistics

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
Payment: You are paid fair for the work you do, and you are happy with it.	96	2.4792	.96223
Fringe benefits: you are happy with the benefit packages you get from the company.	96	3.1979	1.00126
Promotion: There are fair promotion practices, and I am happy with it.	96	3.5000	1.47256
Supervisor: Your supervisor is competent & helping, and you are happy with your supervisor.	96	2.3958	.80104
Reward: There is performance based and fair rewarding system in the company. I am happy with it.	96	3.2187	1.21571
Rules & procedures: The operating procedures (Rules & procedures) help you to do your job easier and you are happy with it.	96	3.3333	1.07279
Co-Worker: your colleagues are competent and cooperative. So, you enjoy working with them.	96	2.9167	1.29506
Job: your job is meaningful for you, and you are happy doing it.	96	3.2188	.93136
Communication: There is good communication practice in the company, you get updated information about the company's goals, objectives & strategies and you are happy with it.	96	3.2187	1.29942
Valid N (listwise)	96		

Source: Survey data (2023)

The table shows that the respondents are not happy with their salary and their supervisors support and treatment. But their response show that Promotion opportunities are fair, internal communications are moderately implemented, relationships with co-workers are not bad, rules & regulations are moderately implemented, the reward systems are fair and the jobs are meaningful & there are fair rewarding systems.

## 4.2. Correlation, Multilinear Regression Analysis & Hypothesis testing

### 4.2.1. Correlation Matrix

The correlation matrix tells us whether there is a relation between any two variables or not. Variables can have positive relationship in which case both either increase or decrease simultaneously, a negative correlation where one variable show opposite change in their values meaning when one increase, the other decrease or vice versa. The last option is that one variable doesn't change irrespective of the change in the other variable. The correlation strength can be judged as weak, medium or strong based on the values defined by Cohen (1988).

Correlation Strength	Negative correlation	Positive Correlation
Weak correlation	-0.1 to -0.29	0.1 to 0.29
Medium correlation	-0.30 to -0.49	0.30 to 0.49
Strong correlation	-0.5 to -1	0.5 to 1

Source: Cohen (1988).

The above correlation table shows that the overall corporate governance, which is the mean value of the individual corporate governance factors, has strong and positive correlation with employee job satisfaction ( $r=0.889$ ). Among the individual corporate governance factors, Audit Committee showed week but positive correlation with employee job satisfaction ( $r=0.298$ ). Similarly, Stakeholders Relation Management showed medium but positive correlation with job satisfaction( $r=0.331$ ). Board of directors, Executive management team, code of governance, internal control and industrial relation management showed positive and strong correlation with r value of 0.741, 0.721, 0.817, 0.626 & 0.652 respectively.

### 4.2.2. Assumptions of Multilinear Regression Model

#### A. Normality Assumption

Parametric statistical analysis method is applied to the normally distributed data. So, this normality test is done on the dependent variable using either analytic or graphical method.

Graphical technique (Histogram, Q-Q plot & Box-plots) and analytical test (Kolmogorov-Smirnov, Shapiro, Skewness and Kurtosis) are used for such normality test. Accordingly, the Kolmogorov-Smirnov test showed significance value of 0.109 which is greater than 0.05. In Kolmogorov-Smirnov a value with significance p-value greater 0.05 is believed to be normal distributed. Likewise, histogram chart assumed bell-shaped curve and the normal Q-Q plot showed straight line and the data is assumed to be fit for parametric testing.

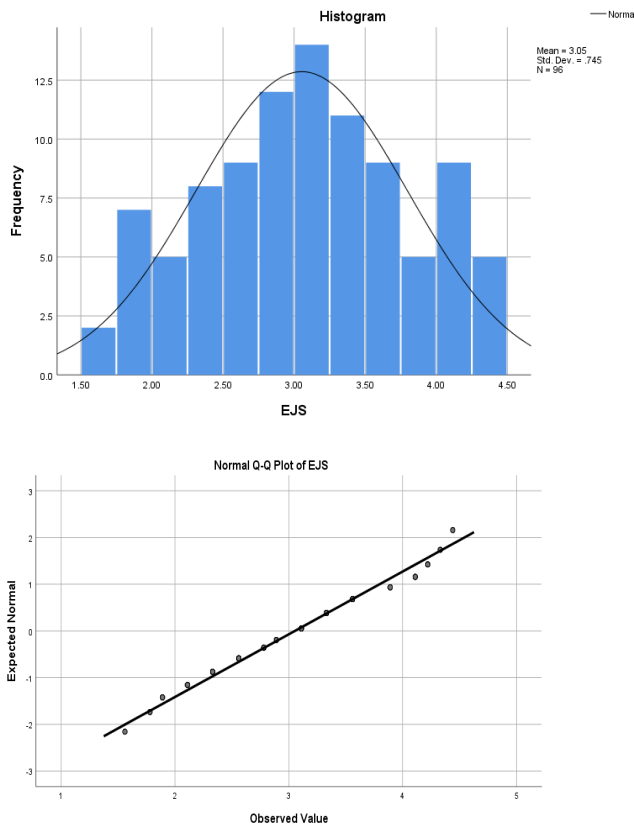


Fig.4.6. Graphical tests of Normality

### B. Linearity Assumption

In this model it is assumed that there is linear relationship between the dependent & independent variables. The dependent variables responses linearly with the change in the independent variables and the relation can be explained by an approximated straight line.

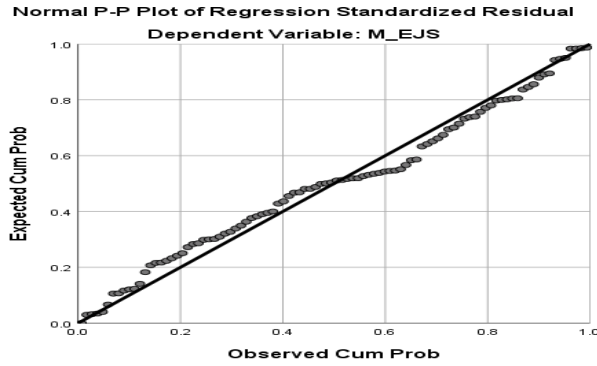


Fig.4.7. Normal P-P plot test of linearity

### C. Homoscedasticity Assumption

This is linear regression model assumption assumes that there is uniform variance of errors of the independent variables across the research data and the predicating equation is equally good in the entire section of the data. In SPSS, this homoscedasticity is checked by using scatter plot diagram. The scatter plot diagram plots the error the model predicts against the actual residual error and this variation between the two is expected to be similar as the prediction continues to large numbers. Otherwise, there is heteroscedasticity, and the model is not good enough to fit in the entire data.

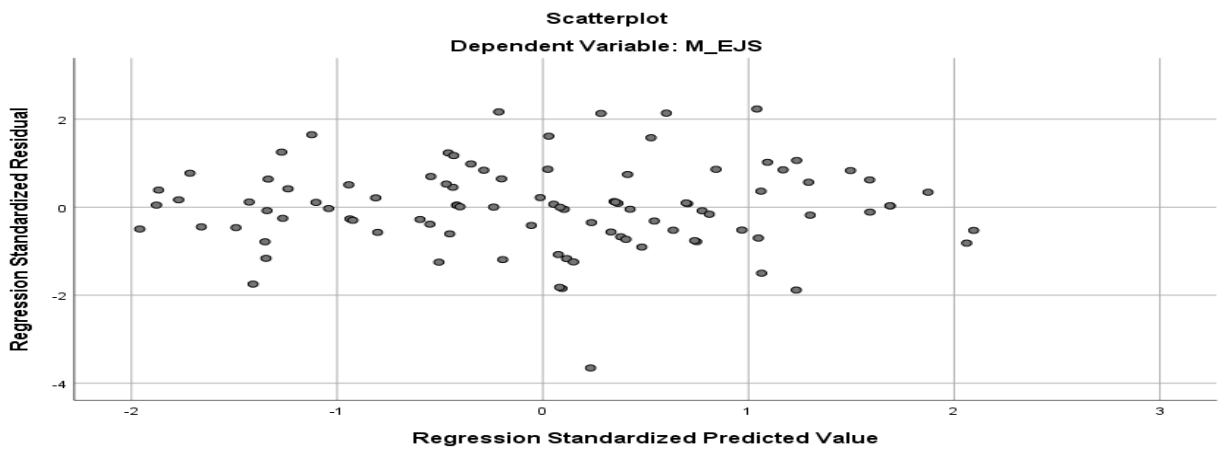


Fig.4.8. Scatterplot test of Homoscedasticity

**D. Autocorrelation Assumption**

Durbin-Watson test is used here to test the correlation among the variable’s residuals. The decision rule says that if the DW is in the range of 1.5-2.5, there is independence within the residual variables. Accordingly, the Durbin –Watson of the variables is calculated as 1.878 and found to satisfy the autocorrelation assumption.

**E. Multi-collinearity test**

This test is used to check if there is inter-correlation between the explaining variables and estimates how their correlation adversely impacts the regression model. It is measured by VIF and tolerance (TOL). The decision rule for tolerance is a variable whose TOL value is less than 0.1 and more than 10 value of VIF shows the possible existence of multi-collinearity problem (Gujarati, 2004). The test result showed that all the VIF values of the predicting variables is less than 3 and can be decided that there is no multi-collinearity problem with the predicting variables.

**4.2.3. Multilinear Regression Model**

**4.2.3.1. Corporate Governance**

Table 4.13: Model summary of Corporate Governance Factors

<b>Model Summary<sup>b</sup></b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.921 <sup>a</sup>	.848	.836	.30174	1.878
a. Predictors: (Constant), M_IRM, M_AC, M_SRM, M_IC, M_EMT, M_BOD, M_COG					
b. Dependent Variable: M_EJS					

Source: Survey data (2023)

The R value in the corporate governance model summary is 0.921 (which is more than 0.5) showing that there is positive and strong correlation between employee’s job satisfaction. The adjusted R square shows that corporate governance factors such board of directors, audit committee, executive management team, code of governance, internal control, industrial relation management and stakeholders’ relation management together have 83.6%

contribution to the employees' job satisfaction. The rest 16.4% employees job satisfaction is affected by other factors than corporate governance factors. But in the earlier demographic model showed that 11% is affected by demographic factors. So, we can summarize that demographic factors affect 11% and governance factors affect 83.6% and the remaining 5.4% is affected by other unexplained factors.

**Table 4.14: ANOVA table of Corporate Governance Factors**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	44.667	7	6.381	70.086	.000 <sup>b</sup>
	Residual	8.012	88	.091		
	Total	52.679	95			
a. Dependent Variable: M_EJS						
b. Predictors: (Constant), M_IRM, M_AC, M_SRM, M_IC, M_EMT, M_BOD, M_COG						

Source: Survey data (2023)

Analysis of variance indicates how the mean of the constructed research variables are different and how they significantly influence the dependent variable (employee job satisfaction). In this case the ANOVA table of the corporate governance factors shows that the F ratio is  $F(7,88) = 70.086$  and  $p = 0.000$  implying that the board of directors, executive management team, Internal controls, Employee Relations & stakeholders relations management have statistically significant influence the employees job satisfaction.

#### 4.2.4. Hypothesis Testing

As shown in the regression coefficients table, all the predicating variables except Audit Committee and Stakeholders Relation have significance value  $p < 0.05$ . But Audit Committee has  $p\text{-value} = 0.223$  and Stakeholders Relation Management got  $p\text{-value} = 0.245$  hence they are found to have no significant effect on the employee job satisfaction. All the other five dimension of corporate governance significantly influence employees job satisfaction from in the order codes of governance (B=0.280), board of directors (B=0.243), executive

management team(B=0.193), internal control (B=0.169) and industrial relation management (B=0.102).

**Table 4.18: MLR model coefficients**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.052	.151		.345	.731
	M_BOD	.243	.052	.261	4.662	.000
	M_COG	.280	.060	.309	4.676	.000
	M_EMT	.193	.049	.222	3.911	.000
	M_AC	.044	.036	.056	1.226	.223
	M_IC	.169	.051	.176	3.309	.001
	M_SRM	.036	.031	.052	1.172	.245
	M_IRM	.102	.037	.151	2.771	.007

a. Dependent Variable: M\_EJS

Source: Survey data (2023)

The regression analysis is done to serve mainly as a tool to test the hypothesis other than predicting employees job satisfaction. According to the decision criteria, predicting variables having regression p-value more than 0.05 don't have significance effect in the model and hence their null hypothesis is rejected. So, their alternative hypothesis saying that the variables don't have significance effect is accepted.

**Table 4.19: Hypothesis testing summary**

Hypothesis (H <sub>i</sub> )	Sig.	Status (Accepted if p<0.05)
<b>H<sub>1</sub></b> : Board of directors (BOD) affects positively and significantly employee job satisfaction.	.000	Accepted
<b>H<sub>2</sub></b> : Audit Committee (AC) affects positively and significantly employee job satisfaction.	.223	Rejected
<b>H<sub>3</sub></b> : Executive Management Team (EMT) affects positively and significantly employee job satisfaction.	.000	Accepted
<b>H<sub>4</sub></b> : Code of Governance (COD) affects positively and significantly employee job satisfaction.	.000	Accepted

<b>H5:</b> Internal Control (IC) affects positively and significantly employee job satisfaction.	.001	Accepted
<b>H6:</b> Industrial Relation Management (IRM) affects positively and significantly employee job satisfaction.	.007	Accepted
<b>H7:</b> Stakeholders Relation Management (SRM) affects positively and significantly employee job satisfaction.	.245	Rejected
<b>H8:</b> Corporate Governance has significant & positive impact on job satisfaction	.000	Accepted

Since Audit Committee and Stakeholders Relation Management doesn't significantly affect Employees Job Satisfaction, they are excluded from the predicting multilinear regression model and the final model is presented as:

$$EJS = 0.052 + .243BOD_{it} + .193EMT + .280COG + .169 IC + .102IRM + \varepsilon$$

### 4.3. Discussion

The research analysis results are evaluated and interpreted in line with the relevant theories and finding of previous research studies. The mean value of the dependent and independent variables shows that the employees' evaluation about their Job satisfaction and the quality of Corporate Governance practices in the industries are moderate. It signals that the organization have to work further to establish well liked governance system and satisfy employees better.

The researcher included a greater number of predicating corporate governance variables further to those used in other research studies. The correlation analysis showed that the selected predicting variables showed positive and significant correlation with Corporate Governance. Moreover, strongly positive and significant correlation is observed between job satisfaction and corporate governance. Likewise, strongly positive correlation is observed between job satisfaction and the four predicting variables except Audit committee & Stakeholders relation management. These variables showed positive but weak and moderately strong correlations respectively.

The regression analysis shows that Corporate Governance has positive and significant impact on the employee job satisfaction. 83.6% of the job satisfaction is influenced by corporate governance mechanisms. This finding is in line with similar research finding conducted by Numi and Dell (2014); Alamerew et al. (2016) and Andrew (2010). Employees have different kinds of interests in their organization and they can be affected by the management decision. When the management decision is inline with their expectation, they get satisfied. Not, otherwise.

As per the research finding, board of directors positively and significantly impacts employees job satisfaction. The model shows that it predicts 24.3% of the variation on employee job satisfaction. This finding is in line with the which claims the board to play significant role to provide resources to achieve their organization goals. Muchemwa et al. (2016) claimed that a strong and committed board can create a conducive and productive working environment to improve the organization performance. Creek, Khun and Sahaym (2017) concluded that organizational leadership significantly affects job satisfaction. Organizations are the reflections of their leaders. Good leadership supports its organization better and satisfy both the organization and its employees.

The research finding showed that there is a positive and significant relation between executive management team and employees job satisfaction. Moreover, the finding shows that executive management body positively significantly impacts job satisfaction. It predicts the 19.3% variation to employee job satisfaction. The finding is in line with the finding of Mosadeghrad and Ferdosi (2013). As per their finding leadership predicts 28% of the variation in employee job satisfaction. Demeke (2017) also arrived to similar conclusion. In his study, he concluded that transformational leadership positively influences job satisfaction.

The research finding showed that code of governance positively and significantly affects employees job satisfactions. It is the largest predicator and accounts 28% variation in employee job satisfaction. The finding is in line with Numi and Dell (2014).code of governance creates accountability, transparency fairness and ethics in the organizations making everyone accountable to the rules. The presence Code of ethics and code of

conduct helps to prevent the violation of rules, disciplines and conflicts of interests among the members of an organization. There are limited research studies conducted to evaluate its effect of job satisfaction.

In this research study finding, Internal control plays positive and significant impact on employee's job satisfaction. The model shows that internal controls accounts for 16.9% variation in employees job satisfaction. The finding is in line with the research study fining of Numi and Delle(2014) and Alawekeleh(2021).Mihaela & Iulian (2012) stated that having proper internal control systems helps company to confirm compliance with legislations, ensure the implementation of the management decision, proper functioning of internal activities, reliability of financial information and increase shareholders confidence, effectiveness of the business operation, efficiency of resource utilization, risk controlling and controlling of frauds.

So, organizations with strong internal controls are expected to show better performance and less risk to their business building trust and confidence to their employees and make them happy and satisfied, feel they are working in a good company. The study result supports this idea and a positive and significant association between internal controls and job satisfaction.

The study finding shows that Industrial relation management positively and significantly affects employing job satisfaction. It predicts the 10.2% variation in employee job satisfaction. This finding is in line with many research finding. Parashar and Thakur (2017); Vajpayee and Kumar (2017) made the same conclusion in their research findings. Involving employees in the corporate governance increase firms value as it creates more transparency and accountability to the employee (Visser, 2013) and (McGaughey, 2013). When employees are listened, they feel that they have the bargaining power, show more commitment and achieve better productivity in their work which will turn positively affect their overall job satisfaction.

As per the research finding, stakeholder relation management doesn't significant affect job satisfaction which is against the stakeholder theory of corporate governance. It showed moderately strong correlation with job satisfaction. The finding opposes the

stakeholder's theory. According to this theory employees are internal stakeholders and they are affected by the organization decision. Likewise, audit committee is found to have no significant impact on employee job satisfaction. Audit committee moderates the effect of internal controls and control activities of the board of directors. These two variables showed positive impact on job satisfaction. These findings can be refined further by other researchers.

## CHAPTER 5

### 5. SUMMARY, CONCLUSION, RECOMMENDATION

#### 5.1. Summary

Taking in to account the gaps of corporate governance existing in the sector considered, this academic research work tried to evaluate the effect of seven Corporate Governance factors such Board of Directors, Executive Management Team, Code of Governance, Internal Control, Industrial Relation & Stakeholders Relation on Employees Job Satisfaction. The demographic data shows that out of the 96 respondents, 19.8% are female, 80.2% are male. This statistic shows that the female participation in the work force and management is quite less than the males' participation. Looking at the age demography 30.2% are in the range of 18-30 years, 41.7% are in the range of 31-40 years, 20.8% are in the range of 41-50 years and 7.3% are above 50. Regarding respondents' academic background, 34.4% are diploma (TVET) graduates, 46.9% are first degree graduates and 18.8% are MA/MSc graduates. Looking at their position level, 30.2% are at supervisor level, 24% are at line manager level, 42.7% are at departmental manager level, 2.1% are at CEO level and 1% at the director level.

The study showed that the composite mean values of 2.64 for Board of Directors implying that they disagree to say that there is strong Board of Directors in their organizations. Respondents disagree that the independent director's composition is good (mean value=2.65), They disagree that the Board of Directors plays strategic roles (mean value=2.56). Respondents also disagree that the Board of Directors exercise accountability to the stakeholders (mean value=2.69). They have neutral opinion about the gender composition (mean value=2.87).

The composite mean of the Executive Management team is 3.00 meaning that the respondents neither agree nor disagree to say that the organizations have satisfying Executive Management Team. They disagree that there is decentralized power structure (mean value=2.67), they have neutral opinion for those items of CEO duality (mean value=2.89), CEO independence (mean value=3.09), Long term sighting of the executive management team (mean value=3.01) and execution of the basic five functions (mean

value=3.33). Generally, the respondents neither agree nor strongly agree to any of the Executive Management Team.

The mean value of code of governance is 2.92 meaning that respondents neither agree or disagree that the organizations have good code of governance. They have neutral opinion for all factors set for code of governance i.e. Rules & Regulations for the shareholders, BOD and Executive Management Team (mean value=2.85), Accountability creating Codes to the BOD and Executive management body (mean value=2.78), Transparency in the decision making (mean value=2.89), Fairness and balanced relationships among shareholders, management and employees (mean value=2.95).

Respondents disagree that they are satisfied with the internal control of the organization (mean value 2.69). They disagree that policies and procedures are well maintained (mean value=2.69), Board commitment to control the implementation of internal controls (mean value=2.61), Risk assessment and controlling system (mean value=2.53), policies and procedures implementation at all levels (2.84), standard and implemented communication procedure (2.88) and implementation of regular internal auditing (mean value=2.55). Overall, respondents don't agree or extremely agree to say that organizations have internal control systems.

The mean value of industrial relation management is 2.86. Respondents neither agreed nor disagreed to these points i.e. industrial relation management is well maintained in the organization to satisfy employees, there is transparency in the recruitment process (mean value=2.72), there is safe work environment (mean value=2.68), existence of smooth and collaborative communication with supervisors (mean value=2.9). They disagreed that the organizations pay them good salaries (mean value=2.43) and there is collective bargaining power (mean value=2.63).

The employees job satisfaction scale showed that the respondents are neither agree or disagree to say that they have job satisfaction (mean value=3.00). They disagree that they are paid fair (mean value=2.47) and their supervisors are competent to help them (mean

value=2.39). They neither agree nor disagree with these points i.e. fringe benefit packages (mean value=3.19), fair and performance based rewarding system (mean value=3.22), helping and work simplifying operating procedures (mean value=3.33), competent and cooperative co-workers (mean value=2.92), doing meaningful and delighting job (mean value=3.2). Respondents agree that there are fair promotion practices (mean value=3.5).

In the correlation and regression analysis section, the study finding showed that there is a strong and positive correlation between Employees Job Satisfaction and overall Corporate Governance ( $r=.889$ ,  $p=.000$ ). All the individual Corporate Governance factors showed positive correlation with Employees Job Satisfaction i.e., Board of directors ( $r=.741$ ,  $p=.000$ ), Code of Governance ( $r=.817$ ,  $p=.000$ ), Executive Management Team ( $r=.721$ ,  $p=.000$ ), Audit Committee ( $r=.298$ ,  $p=.003$ ), Internal Control ( $r=.626$ ,  $p=.000$ ), Stakeholders Relation Management ( $r=.331$ ,  $p=.001$ ), Industrial Relation Management ( $r=.652$ ,  $p=.000$ ).

The regression analysis used and two multilinear regression models were developed i.e. one for the demographic variables and another for the Corporate Governance variables. The first model summary shows there is positive but weak correlation ( $R=0.26$ ) between respondents' demographic factors and employees job satisfaction and the model is not fit to explain their variation i.e.  $F(3,92) = 1.357$  with  $p=0.261$ . But the second multilinear regression model is fit to explain the association between the Corporate Governance and Employees Job Satisfaction.  $F(3,92) = 70.09$  with  $p=.000$ . and their correlation is positive and strong ( $R=0.921$ ). The Model showed that Corporate Governance factors contribute 83.6% to the Employees Job Satisfaction variance.

In the hypothesis testing, out of the seven null hypotheses saying that all the determinants of Corporate Governance positively and significantly affect employees Job Satisfaction ( $P<0.05$ ). But two determinants (Audit Committee and Stakeholders Relation Management) were found that they don't significantly affect job satisfaction ( $B=0.44$  and  $p=0.223$  for Audit Committee;  $B=0.102$  and  $p=0.245$  for Stakeholders Relation Management). Hence, their null hypothesis is rejected. So, the other governance factors

affect job satisfaction from the highest to the lowest as Code of Governance(B=0.28), Board of Directors (B=0.243), Executive Management Team(B=0.193), Internal control (B=0.169) and Industrial Relation Management (B=0.102).

## 5.2. Conclusion

This study evaluated the degree of Employees Job Satisfaction, Corporate Governance practices and the relation between the twos. There is no evidence to show that employees are satisfied with their job. The five grade Likert-Scale analysis showed that the respondents average satisfaction level is 3.07 out of 5 showing that the organizations are not able to satisfy their employees.

The Corporate Governance practices of the organizations are not strong. Especially the Board of directors, Internal Controls and Stakeholders Relation Management are poor to create satisfaction to the employees. The respondents disagreed to say that these factors are good to create good image to the employees. They have mean value less than 2.76. Likewise, the respondents' responses show that Code of Governance, Executive Management team, Audit Committee and Industrial Relations Management got a mean value less than 3.0 and we can conclude that all the corporate governance factors are not good enough to create satisfaction to the employees although they contribute more than 83.6% employees job satisfaction.

Unlike the normatively expected Corporate Governance conditions, there is no proof that there are strong boards in the companies, the board composition is not good enough to include independent directors and female directors. The boards commitments in the strategic decision making and their accountability seems to be weak. This conclusion is made from the point that there is no evidence in the survey analysis to proof that the boards are strong from the mentioned perspectives. The factor has strong, positive and significant correlation with the employee job satisfaction.

There are no strong audit committees in the organizations. It seems that employees are not aware of this role may be because it is not common to internal auditors/audit committee in the organizations. Due to this determinant showed poor but positive correlation with the employee job satisfaction.

The findings of the study show that the Executive Management Teams are not good enough to create satisfaction to their employees. CEO Duality is not observed as the respondents disagreed to this. It is observed that the CEOs are not independent enough to make decisions and think long terms wins. They are better in the regular planning, organizing, staffing, directing and controlling activities compared to the other traits of executive management team mentioned in the questionnaire. But it has strong and positive correlation with the employee job satisfaction.

The overall effect of Corporate Governance to the Employees Job Satisfaction is very high and significant. As per the hypothesis testing, the stakeholder's relation management and audit committee affect the job satisfaction less than the other factors. But other factors are found to affect the job satisfaction significantly.

### **5.3. Recommendation**

From the research findings, it is imperative to put the following recommendations so that the organizations, other researchers, organization owners, principal agents, and management body can take them in to account to review their organizations' corporate governance quality to improve and enhance their Employees Job Satisfaction.

- The organizations have to work to improve their employees' satisfaction level as the performance and success of the organizations depends mainly on the employee's motivation besides to their skills, knowledge and experiences.
- Organizations are advised to do such similar job satisfaction and governance related studies or assessments to understand the acceptability of their corporate governance practice and do the required governance reform actions to ensure their employees satisfactions so that they can sustain their business in this very competitive business environment.
- Organizations should have meaningful board of directors other than having ceremonial body with few directors listed for the sake of qualifying legal requirements. Having many directors can give the chance to build the capacity of the board with information and knowledge.

- It is also recommended to maintain gender composition and independent directors who have knowledge and/or experience in the industry so that the board competency can increase.
- Board of directors must be accountable; they have to show commitment to control and monitor the management activity and ensure that strategic decisions made by the board and the management are good enough to sustain the organizations in this era of strong competition.
- The boards should work to facilitate the provision of different kinds of resources, material supply and market connections to the management as it is one of the key areas the board should play.
- The organizations are advised to have clear and functional organizational structures with clear accountabilities and responsibilities.
- The Executive management team quality affects the employees job satisfaction. The executive body should have decision power and must be accountable for the decision outcome. The executive team should develop a culture of transparency to avoid any possible agency problem.
- The management body should have long-term plan.
- Internal Controls are found to have a significance positive effect on employees' job satisfaction. Hence, companies should have a well-designed and well-functioning internal control systems to create transparency & boost employee's confidence, stakeholders and shareholders confidence.
- The organizations are advised to have risk mitigation and management plan to improve the internal controls.
- Organizations are advised to review their Industrial Relation Management practices as the complexity of humans' behavior, their needs and wants are increasing from time to time. The research output proved that Industrial Relation Management has a significant positive impact on employees' job satisfaction.
- Organization should develop, communicate and enforce their Code of Governance to every concerned stakeholder so that the rule-of-law can be respected and exercised by every stakeholder (shareholders, board of directors, management body and employees) without any ambiguity and bias.

#### **5.4. Limitations of the research**

The availability of previous scholastic studies similar to this research topic is limited. Some researchers tried to study the effect of corporate governance with firm's performance especially in the bank and insurance sector but very little in the manufacturing sector. So, limitation of previous study materials is one challenge, Time is another limitation, expanding the population and sample size can increase the reliability of the research outcome. Expanding the respondents base can help to get more information.

#### **5.5. Further study recommendation**

Doing further similar studies can help to refine findings of this and other similar studies. through expanding research sample sizes, participating employees below the supervisor level by interpreting research questionnaires, using other means such as group discussion & interview questions accordingly, refine the study parameters and get better research result.

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## Annex I-Questionnaire

**Addis Ababa University**  
**Collage of Business & Economics**  
**Department of Management**  
**Executive Master of Business Administration Program**  
**Research Questionnaire**

**GENERAL INFORMATION:** This is an academic research questionnaire and designed as a data collection instrument for the EMBA fulfillment research work. The research work focuses mainly on evaluating *The Effect of Corporate Governance on Employees Job Satisfaction* of those selected and specified manufacturing companies. This research questionnaire is purely for academic purpose and your genuine participation and response is very pivotal for the soundness & trustworthiness of the research work. The acceptability of the research work clings mainly on the true data of the respondents. So, you are kindly requested to be collaborative in giving genuine response to each question and return back to me on time.

### GENERAL INSTRUCTION.

- No need to write your name and phone number.

Likert-Scale measuring method is used in all sections of the questionnaire.

- Put ‘√’ mark in to one of the boxes found next to each question.
- Advised to use pen only and avoid putting ambiguous and multiple marks.
- Please answer all the questions and return back to me within one-week time.

### CONTACT ADDRESS

Phone: - +251-911-417161

Email: [-abi4171@gmail.com](mailto:-abi4171@gmail.com)

Thank you in advance!!!

### I. RESPONDENT'S DEMOGRAPHY INFORMATION

1. Gender? Male Female
2. Your Age? 18-30 31-40 41-50 above 50
3. Educational Level?  
TVET Diploma BA/BSC MA/MSC PhD Others
4. How long have you worked (tenured) in the company?

Less than 1 year     1-3 years     3-5 years     5-10 years     above 10 years.

5. What is your position in the company?

Front line worker                       Supervisor                       Line manager level

Executive level                               Director Level

**II. Determinants of Corporate Governance**

**Instruction:** Please put ‘√’ Mark in one of the selected boxes found at the end of each question.

*Likert Scale: 5-Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1- Strongly Disagree*

**1. BOD**

Item No	Items	1	2	3	4	5
1	Board Size: The number of directors in the board is enough to make the board perform & lead the organization as expected.					
2	Gender Diversity: The gender diversity in the board is well maintained and female board members are supporting the board a lot.					
3	Independent Directors: There are outside and independent directors in the board, and they give better competency to the board to have wider perspective.					
4	Strategic Role: The board plays strategic role by developing strategy, delegating proper power, and making game changing decisions.					
5	Accountability: The board exercise accountability to the shareholders and relevant stakeholders.					

**2. Audit Committee**

Item No	Items	1	2	3	4	5
1	Reliability: There is an audit committee overseeing the financial reporting and disclosing process to maximize trust of the stakeholders.					
2	Independence: The auditors are independent and are not influenced by the management					
3	Transparency: The auditors work to help the management to respect rules and policies and helps to create transparency in every decision-making process.					
4	Internal Auditing: The auditors create good internal auditing practices in every department to ensure that there is proper check & balance system.					
5	Internal Controls: The audit committee established internal controls and oversight their implementation to create trust between the management and board.					

### 3. Executive Management Team

Item No	Items	1	2	3	4	5
1	CEO duality: The CEO plays both the CEO & board chairman role and gives better direction to the board and to the management.					
2	CEO Independence: The CEO has an independent power to make the correct and timely decision critical to the company.					
3	Decentralized power: The governance structure is decentralized and gives different decision-making power to the management & employees at all levels					
4	Looks to long term: The executive management team thinks and acts strategically to sustain the company's business.					
5	Basic five functions: The management team properly executes the planning, organizing, staffing, leading and controlling activities.					

### 4. Code of Governance

Item No	Items	1	2	3	4	5
1	Rules & Regulations: There are internal policies and procedures governing all the shareholders, board of directors and management team					
2	Accountability: There is accountability with the BOD, management and other members of the organization in the decision-making process.					
3	Transparency: there is a culture of transparency in the organization's decision-making process giving confidence and harmony to the stakeholders in the organization.					
4	Fairness: the policies and procedures ensure that there is fair & harmonized relationship among the shareholders, management, and the employees.					

### 5. Internal Control

Item No	Items	1	2	3	4	5
1	Policies & procedures: There are internal control guidelines, policies and procedures to control non-compliances to the company's business processes.					
2	Commitment: The board, management and employees are committed in implementing internal controls.					
3	Risk controlling: The company has risk assessment and controlling system.					

4	Implementation: Internal controls are executed across all departments & processes levels to ensure processes & transactions are going with check-and balance in line with the company rules and policies.					
5	Communication: There is standard communication procedure and practice which is open to all to share information, work orders, reports, updates etc. across the company.					
6	Internal auditing: The internal auditor conducts regular audit to verify that internal controls are implemented in every department and process levels.					

## 6. Industrial relations

Item No	Items	1	2	3	4	5
1	Pay-The salary your company is paying to you is proportional to the work you deliver.					
2	Recruitment-There is transparency in the selection & recruitment activities of the company.					
3	Work Environment-The work environment is safe, safety standards are meeting, and you are comfortable to work in it.					
4	Communication-There is smooth & productive communication with your supervisor and co-workers.					
5	Collective bargaining-The company is positive for collective bargain agreement and employees benefit such as insurance, healthcare; transportation, cafeteria etc. are provided to the employees.					

## 7. Stakeholders' relation management

Item No	Items	1	2	3	4	5
1	Balancing: Every decision of the board and the management balances the financial goal of the company with the interest of the community.					
2	Compliance: The organization gives attention to keep legal compliance, good quality to its products & services.					
3	Corporate Social Responsibility: The organization includes CSR or BSR (Corporate social responsibility) into its core functions and strategic plan.					
4	Long term benefits: The board and management work to make the organization competitive in the long-term instead of maximizing the short-term opportunities and gains.					
5	Interactions: The organization maintains exercises good interaction with the different stakeholders to maintain the relationships.					

## 8. Employees Job Satisfaction

5= Strongly satisfied, 4=Satisfied,3=Neither dissatisfied or satisfied, 2=Dissatisfied &  
1=Strongly dissatisfied

Item No	Items	1	2	3	4	5
1	Payment: You are paid fair for the work you do, and you are satisfied with it.					
2	Fringe benefits: you are happy with the benefit packages you get from the company.					
3	Promotion: There are fair promotion practices, and I am satisfied with it.					
4	Supervisor: Your supervisor is competent & helping, and you are satisfied with your supervisor.					
5	Reward: There is performance based and fair rewarding system in the company. You are satisfied with it.					
6	Rules & procedures: The operating procedures (Rules & procedures) help you to do your job easier and you are satisfied with it.					
7	Co-Worker: your colleagues are competent and cooperative. So, you enjoy working with them.					
8	Job: your job is meaningful for you, and you are happy doing it.					
9	Communication: There is good communication practice in the company, you get updated information about the company's goals, objectives & strategies and you are happy with it.					

## Annex II-Factor Analysis

Rotated Component Matrix <sup>a</sup>								
	Component							
	1	2	3	4	5	6	7	8
Supervisor: Your supervisor is competent & helping, and you are happy with your supervisor.	.880							
Co-Worker: your colleagues are competent and cooperative. So you enjoy working with them.	.823							
Risk controlling: The company has risk assessment and controlling system.	.767							
Payment: You are paid fair for the work you do, and you are happy with it.	.746							
Internal auditing: The internal auditor conducts regular audit to verify that internal controls are implemented in every department and process levels.	.623							
Collective bargaining-The company is positive for collective bargain agreement and employees benefit such as insurance, healthcare; transportation, cafeteria etc. are provided to the employees.	.621							
Decentralized power: The governance structure is decentralized and gives different decision-making power to the management & employees at all levels	.601							
CEO duality: The CEO plays both the CEO & board chairman role and gives better direction to the board and to the management.		.767						
Basic five functions: The management team properly executes the planning, organizing, staffing, leading and controlling activities.		.760						
Rules & procedures: The operating procedures (Rules & procedures) help you to do your job easier and you are happy with it.		.753						
Looks to long term: The executive management team thinks and acts strategically to sustain the company's business.		.716						
Fringe benefits: you are happy with the benefit packages you get from the company.		.715						
Job: your job is meaningful for you, and you are happy doing it.		.667						
CEO Independence: The CEO has an independent power to make the correct and timely decision critical to the company.		.637						
Communication: There is good communication practice in the company, you get updated information about the company's goals, objectives & strategies and you are happy with it.		.589						

Promotion: There are fair promotion practices, and I am happy with it.		.547					
Interactions: The organization maintains exercises good interaction with the different stakeholders to maintain the relationships.		.850					
Balancing: Every decision of the board and the management balances the financial goal of the company with the interest of the community.		.836					
Compliance: The organization gives attention to keep legal compliance, good quality to its products & services.		.827					
Corporate Social Responsibility: The organization includes CSR or BSR (Corporate social responsibility) into its core functions and strategic plan.		.821					
Long term benefits: The board and management work to make the organization competitive in the long-term instead of maximizing the short-term opportunities and gains.		.802					
Accountability: The board exercise accountability to the shareholders and relevant stakeholders.			.688				
Independent Directors: There are outside and independent directors in the board, and they give better competency to the board to have wider perspective.			.674				
Board Size: The number of directors in the board is enough to make the board perform & lead the organization as expected.			.610				
Strategic Role: The board plays strategic role by developing strategy, delegating proper power, and making game changing decisions.			.604				
Gender Diversity: The gender diversity in the board is well maintained and female board members are supporting the board a lot.			.597				
Reliability: There is an audit committee oversighting the financial reporting and disclosing process to maximize trust of the stakeholders.				.819			
Internal Auditing: The auditors create good internal auditing practices in every department to ensure that there is proper check & balance system.				.762			
Independence: The auditors are independent and are not influenced by the management				.762			
Transparency: The auditors work to help the management to respect rules and policies and helps to create transparency in every decision-making process.				.719			
Internal Controls: The audit committee established internal controls and oversight their implementation to create trust between the management and board.				.700			

Pay-The salary your company is paying to you is proportional to the work you deliver.						.879		
Recruitment-There is transparency in the selection & recruitment activities of the company.						.827		
Policies & procedures: There are internal control guidelines, policies and procedures to control non-compliances to the company's business processes.						.820		
Communication: There is standard communication procedure and practice which is open to all to share information, work orders, reports, updates etc. across the company.						.776		
Implementation: Internal controls are executed across all departments & processes levels to ensure processes & transactions are going with check-and balance in line with the company rules and policies.						.603		
Reward: There is performance based and fair rewarding system in the company. I am happy with it.								.626
Extraction Method: Principal Component Analysis.								
Rotation Method: Varimax with Kaiser Normalization.								
a. Rotation converged in 8 iterations.								

### Annex-III Pearson Correlation Matrix

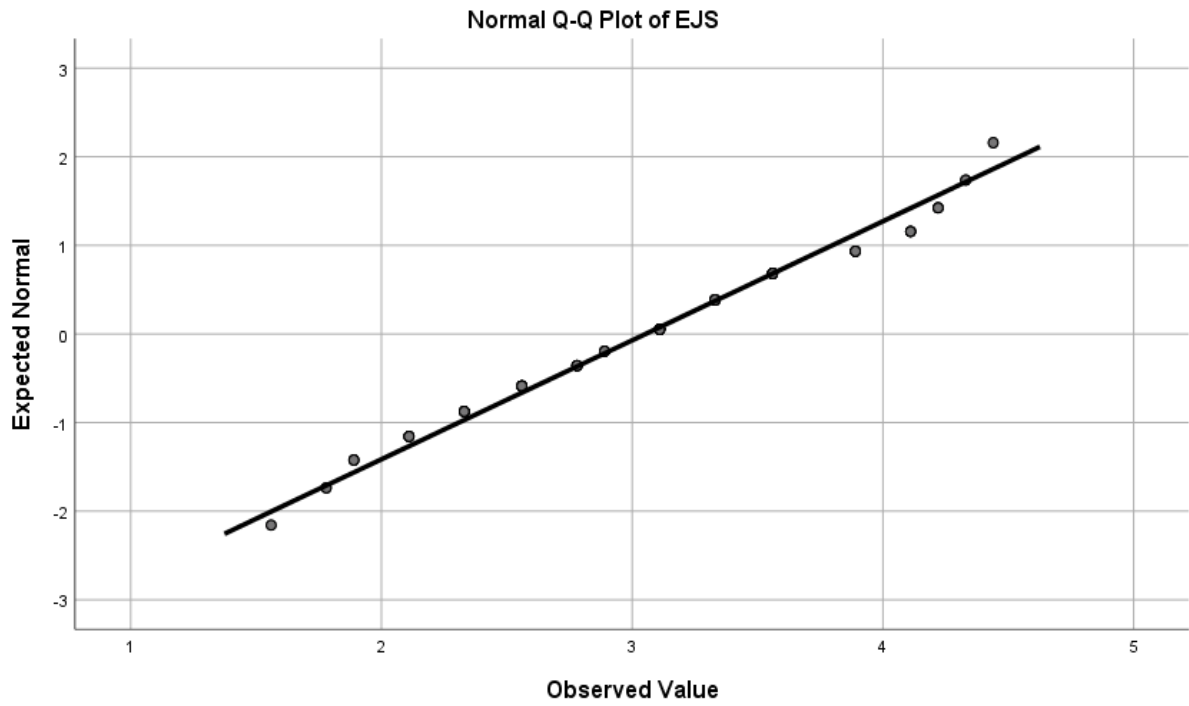
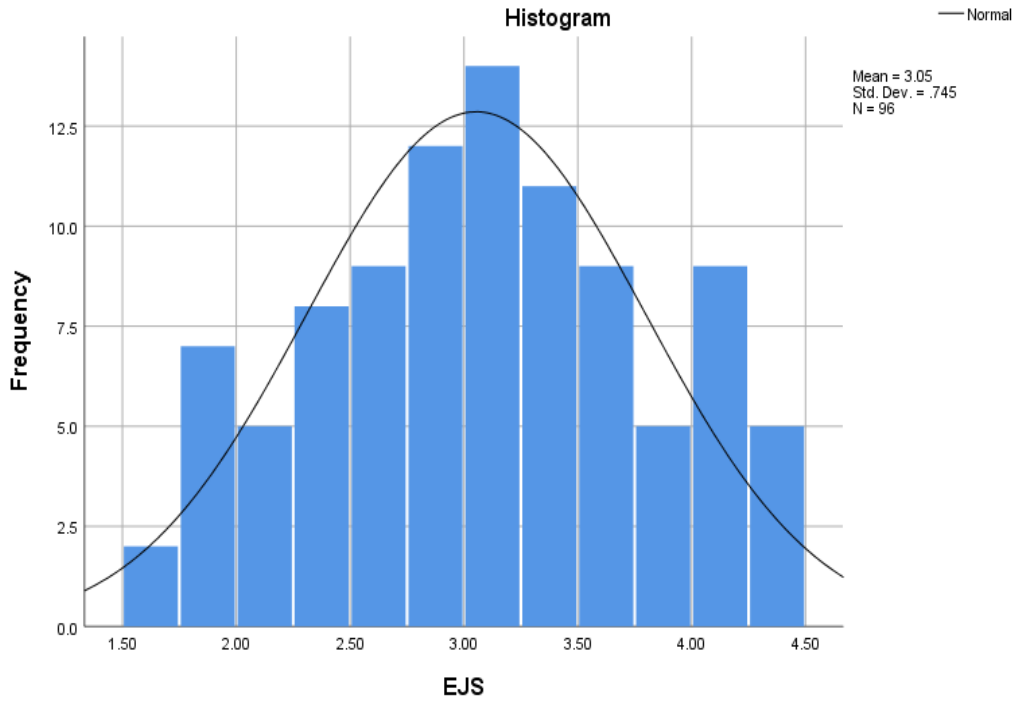
Correlations										
		M_BOD	M_COG	M_EMT	M_AC	M_IC	M_SRM	M_IRM	M_EJS	CG
M_BOD	Pearson Corr.	1	.606**	.526**	.184	.453**	.317**	.467**	.741**	.757**
	Sig. (2-tailed)		.000	.000	.072	.000	.002	.000	.000	.000
	N	96	96	96	96	96	96	96	96	96
M_COG	Pearson Corr.	.606**	1	.643**	.215*	.518**	.266**	.603**	.817**	.797**
	Sig. (2-tailed)	.000		.000	.036	.000	.009	.000	.000	.000
	N	96	96	96	96	96	96	96	96	96
M_EMT	Pearson Corr.	.526**	.643**	1	.175	.364**	.235*	.512**	.721**	.723**
	Sig. (2-tailed)	.000	.000		.088	.000	.021	.000	.000	.000
	N	96	96	96	96	96	96	96	96	96
M_AC	Pearson Corr.	.184	.215*	.175	1	.396**	.117	.091	.298**	.491**
	Sig. (2-tailed)	.072	.036	.088		.000	.257	.379	.003	.000
	N	96	96	96	96	96	96	96	96	96
M_IC	Pearson Corr.	.453**	.518**	.364**	.396**	1	.211*	.390**	.626**	.698**
	Sig. (2-tailed)	.000	.000	.000	.000		.039	.000	.000	.000
	N	96	96	96	96	96	96	96	96	96
M_SRM	Pearson Corr.	.317**	.266**	.235*	.117	.211*	1	.118	.331**	.549**
	Sig. (2-tailed)	.002	.009	.021	.257	.039		.252	.001	.000
	N	96	96	96	96	96	96	96	96	96
M_IRM	Pearson Corr.	.467**	.603**	.512**	.091	.390**	.118	1	.652**	.589**
	Sig. (2-tailed)	.000	.000	.000	.379	.000	.252		.000	.000
	N	96	96	96	96	96	96	96	96	96
M_EJS	Pearson Corr.	.741**	.817**	.721**	.298**	.626**	.331**	.652**	1	.889**
	Sig. (2-tailed)	.000	.000	.000	.003	.000	.001	.000		.000
	N	96	96	96	96	96	96	96	96	96
CG	Pearson Corr.	.757**	.797**	.723**	.491**	.698**	.549**	.589**	.889**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	
	N	96	96	96	96	96	96	96	96	96

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

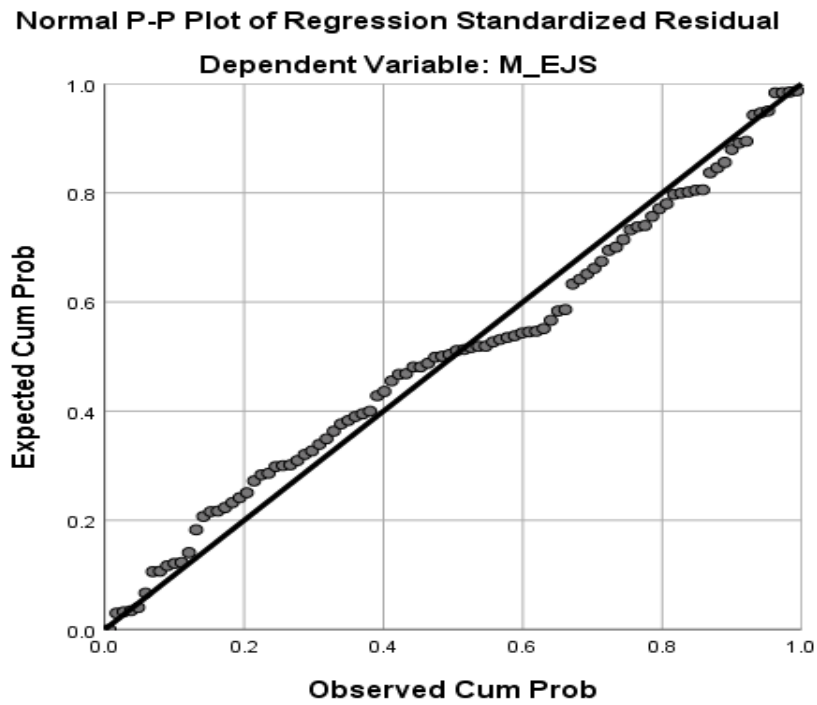
\* . Correlation is significant at the 0.05 level (2-tailed).

# Annex-IV Tests of Multi Linear Regression Model Assumptions

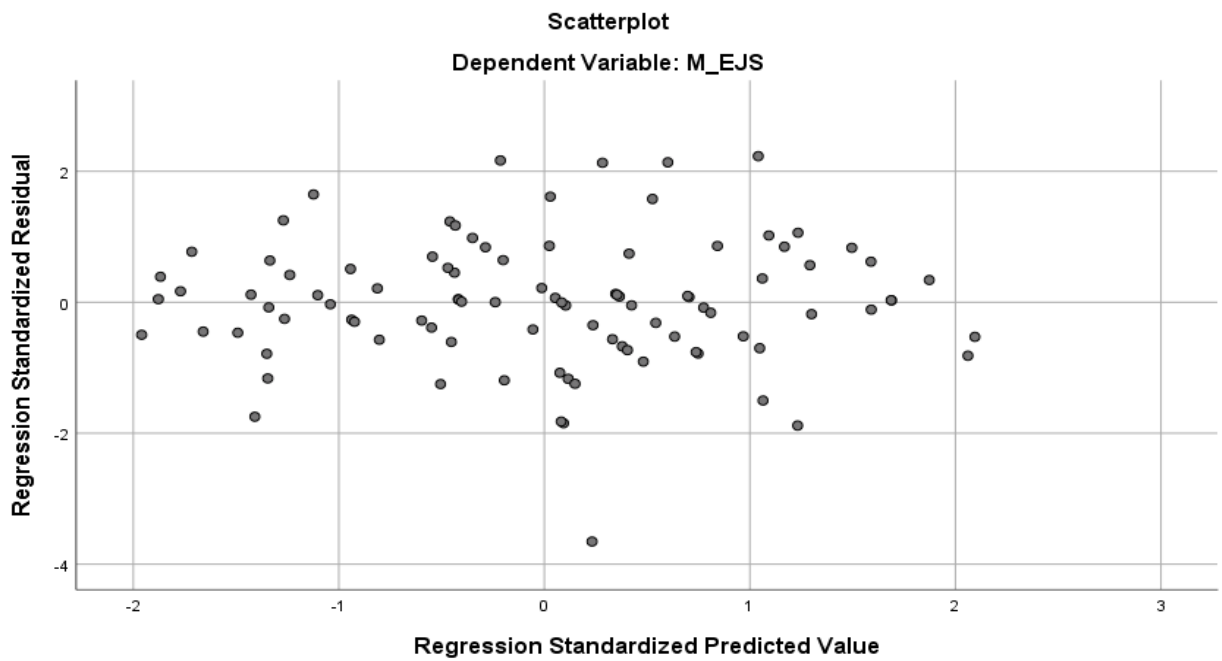
## 1-Normality Test (Histogram & Q-Q plot)



2-Linearity test (P-P plot)



3-Heteroscedastic test (Scatter plot)



4-Collinearity test (Tolerance & VIF)

<b>Coefficients<sup>a</sup></b>										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.052	.151		.345	.731	-.248	.353		
	M_BOD	.243	.052	.261	4.662	.000	.139	.346	.552	1.812
	M_COG	.280	.060	.309	4.676	.000	.161	.399	.396	2.523
	M_EMT	.193	.049	.222	3.911	.000	.095	.292	.536	1.864
	M_AC	.044	.036	.056	1.226	.223	-.027	.114	.833	1.201
	M_IC	.169	.051	.176	3.309	.001	.067	.270	.613	1.631
	M_SRM	.036	.031	.052	1.172	.245	-.025	.098	.877	1.140
	M_IRM	.102	.037	.151	2.771	.007	.029	.175	.585	1.710

a. Dependent Variable: M\_EJS

5-Autocorrelation test (Durbin-Watson)

<b>Model Summary<sup>b</sup></b>										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.921 <sup>a</sup>	.848	.836	.30174	.848	70.086	7	88	.000	1.878

a. Predictors: (Constant), M\_IRM, M\_AC, M\_SRM, M\_IC, M\_EMT, M\_BOD, M\_COG

b. Dependent Variable: M\_EJS