



**COLLEGE OF BUSINESS AND ECONOMICS,
ACCOUNTING AND FINANCE DEPARTMENT**

**OPERATIONAL CHALLENGES ON PERFORMANCE OF
MULTI-NATIONAL COMPANIES IN ETHIOPIA: The Case of
Unilever Ethiopia**

**A Thesis Submitted to Addis Ababa University School of Business and
Economics Accounting and Finance department in partial fulfillment of the
requirements for the MSc Degree in Accounting and Finance**

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Thesis Advisor: Temesgen Worku (PhD)

November, 2022

Addis Ababa, Ethiopia

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Letter of Declaration

I hereby declare that this thesis entitled **“*OPRATIONAL CHALLENGES ON PERFORMANCE OF MULTI-NATIONAL COMPANIES IN ETHIOPIA: The Case of Unilever Ethiopia*”** is my original work to the best of my knowledge and has not been presented for an award of degree at this or any other universities, and that all reference materials contained therein have been duly acknowledged.

By,

Alemnesh Merid

Signature _____

Date _____

DECLARATION

As members of Examining Board of final MSc Open defense, we certify that we have read and evaluated the thesis prepared by: **Alemnesh Merid** titled: **“OPERATIONAL CHALLENGES ON PERFORMANCE OF MULTI-NATIONAL COMPANIES IN ETHIOPIA: The Case of Unilever Ethiopia”** and recommended that it be accepted as fulfilling the thesis requirement of: MSc Degree in Accounting and Finance.

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Final approval and acceptance of the thesis is contingent upon the submission of the final copy of the thesis to the council of graduate studies through the departmental graduate committee of the candidate’s major department.

I hereby certify that I have read this thesis prepared under my direction and recommend that it be accepted as fulfilling the thesis requirement.

Name of Thesis Advisor	Signature	Date

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Abstract

Operation performance is generally used to express effectiveness of the firm (business) in organizing and transforming inputs into goods and services, and marketing it to achieve targeted goals over a given period of time. Multinational companies become a significant policy priority in developing countries with a view to reap the positive effects, and such companies have been widely recognized as a growth enhancing factors for host countries (Mesfin, 2016). Thus, the goal of this thesis was to assess the operational challenges of Unilever Ethiopia with respect to economic environment, political environment, taxes regulation and exchange control. Respondents from the company selected based on random sampling technique. The survey was conducted with 132 respondents. Descriptive statistics and multiple linear regression analysis were used to analyze the data with the aid of SPSS version 23. The finding of this study implies that the economic environment such as shortage of raw materials; fluctuations of the exchange rate in the market, and the agriculturally based economy significantly affect company's production performance. This study has also an important policy implication. and this study suggested that government should provide sufficient foreign exchange through using both domestic and international financial service providers. Strength the capacity of the producers through providing the needed raw materials, build more infrastructure and create pro-business environment in line with its forward linkage effect.

Keyword: *Multinational companies, production performance, operational challenges*

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List of Acronyms and Abbreviations

EIC	Ethiopian Investment Commission
FDI	Foreign Direct Investment
FDRE	Federal Democratic Republic of Ethiopia
GDP	Gross Domestic Product
LC	Letter of Credit
MNCs	Multi-National Companies
PLC	Private limited Company
R&D	Research and Development
SPSS	Statistical Package for Social Science software
VIF	Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Multinational companies become a significant policy priority in developing countries with a view to reap the positive effects, and such companies have been widely recognized as a growth enhancing factors for host countries (Mesfin, 2016). The term operation performance is generally used to express effectiveness of the firm (business) in organizing and transforming inputs into goods and services, and marketing it to achieve targeted goals over a given period of time (Nickell 1996, Nickell et al. 1997). Operation performance of the firm in a free market economy like United States depends on its organizational efficiency, value chain factors and competitive ability. Although studies on operation performance have assumed increasing attention, in the analysis of business growth there is no universally accepted indicator to measure firm performance (Kochhar 1997)

1.1.1 Historical Evolutions of Multinational Companies in the World

Historically different corporations managed to control from the origin country (domestically) made investment over foreign countries throughout the period from the nineteenth century to roughly 1865. Then, with the technology progress and revolutions of the century that included transportation and communication revolutions of that century, the development of railroads, steamships, and cables, it was this historical evolution which open the way to the rise of the modern multinational enterprise. Because of the presence of well-built infrastructure, the growth of MNEs originated with the opportunity that information could move rapidly. The free flow of information paved the way over distant geographical areas which gave more details on the prices, products and process as well (Mira, 1998).

Industrial revolution radically altered the capacity and the encouraged companies and countries to involve in trade and foreign direct investment in the 19th century. This revolution came with the factory system, process and marked to form the business enterprise as a multinational corporation. This revolution also fundamentally changed the management system of the corporations and the improved the production process using various techniques including new

and more efficient mode of transport, formalizing legal and financial status of businesses and changed the atmosphere of business relationships. The age of merchant capitalism which had dominated international commerce for the previous two centuries was now replaced by an industrial capitalism (Mira, 1991).

The coming of the industrial age brought the need to capture markets for an expanding output of basic manufactures. Among the best-known trading firms of this period were the British East Indian Company, the Dutch East India Company and the Muscovy Company (Köksal E, 2006). The Dutch East India Company was established on in the beginning of 17th Century and it was the first multinational corporation in the world and it was the first company to issue stocks. It remained an important trading concern for almost two centuries, until it became bankrupt and was dissolved in 1798.

1.1.2 Inflow of FDI in Ethiopia

In Ethiopia there has been a mismatch in domestic investment and savings because of low level of income and culture of savings. Therefore, foreign direct investment is very crucial to support growth and development and become source of capital and other business know-how. Loans and development assistance from multilateral agencies such as the World Bank or by private foreign investment can help fill the gap created in domestic investment and savings. Different factors including the level of economic development of an economy, the policy regime in place, social and political factors may play a role in determining the inflow of foreign direct investment. In recent years, Ethiopia has started encouraging the inflow of FDI by improving the investment climate and by providing different incentive packages (Getinet and Hirut, 2005).

Following the fall of the Derg Regime which was the socialist government, the new government called FDRE (Federal Democratic Republic of Ethiopia) introduced and followed the new policy which is a Liberal policy in 1992. Recently Ethiopia has made economic development strategy by stressing the structural transformation predominantly by shifting resources such as labor from agriculture sector to industry sector, particularly manufacturing sector aiming at leather and textile industry. Historically even though agricultural sector plays a great role and has a high

contribution to the country's economy, the portion of agricultural sector to total constantly when compared to other sectors such as service and industry (Begum and Mesfin, 2016).

According to UNCTAD's World Investment Report 2021, FDI inflows to Ethiopia declined by 6% to USD 2.4 billion in 2020, despite the fact that they accounted for more than a third of foreign investment in the sub-region. In total, FDI stock was estimated at USD 27.4 billion in 2020 (Ref table 1. Below). This is due to the history of foreign direct investment in the country which was started after liberalization policies of FDRE government, 1992 onwards. Aggressive foreign direct investment attraction campaign, and the construction of modern industrial parks which is supposed to facilitate the necessary requirements to foreign investors. During the first phase of FDI the result seen was more than expected, however, the subsequent performance has not been remarkable. Most investment in garment, footwear and leather products remains limited and stagnant (GRIPS Development Forum Report, 2021). Though the foreign direct investment is less than expected, Ethiopia were the biggest Foreign Direct Investment (FDI) recipient in the East Africa region and the fourth largest FDI destination in Africa in 2019. (UNCTAD, 2020).

Table 2 FDI Inflow to East Africa (2014-2019)

	FDI Inflows					
Region/Economy	2014	2015	2016	2017	2018	2019
East Africa	6615	6873	7842	8647	8537	7756
Comoros	5	5	4	4	7	8
Djibouti	153	124	160	165	170	182
Eritrea	47	49	52	55	61	67
Ethiopia	1855	2627	4143	4017	3310	2516
Kenya	821	620	679	1266	1626	1332
Madagascar	314	436	451	358	353	227
Mauritius	456	216	379	480	372	472
Seychelles	230	195	155	192	120	126
Somalia	261	303	330	369	408	447
Uganda	1059	738	626	803	1055	1266
United Republic of Tanzania	1416	1561	864	938	1056	1112

Source: -UNCTAD/WIR/2020

Though most of foreign corporations or investors inclined to invest in large organization which result in high income or profit such as banking industry and telecommunication, as stated by

Begum and Mesfin (2016), the immediate reasons why Ethiopian government invites foreign investors are to increasing employment opportunity and to inject hard currency in the economy, motive to transfer production technology and business knowledge.

Back in 1883, Sunlight Soap was launched in the UK by Unilever founder, it was pioneering, it was innovative and it had a purpose: to popularize cleanliness and bring it within reach of ordinary people. That was sustainable living, even then. Now the group has over 400 brands and around 150,000 employees across the world, and working in over 190 countries. The company works the social and environmental issues facing the world and wants to enhance people's lives with products it produces. Unilever has been pioneers, innovators and future-makers for over 120 years (Unilever Portal page, 2021).

Unilever has been in existence for the last 80 plus years in east Africa and remained one of the leading suppliers of food, home, beauty and personal care products across East Africa. The company presents in 5 East African countries, Kenya, Ethiopia, Uganda, Tanzania, and Rwanda. Five factories locally manufacturing 81% of products sold in East Africa (Unilever Portal page, 2021).

The Unilever group is a multi-national company dealing in consumer goods and Unilever manufacturing plc is incorporated in Ethiopia in 2016 as part of its Africa growth strategy and carried out manufacturing and marketing activities, with sales of finished Unilever brands via its appointed third-party Ethiopian distributors. Unilever Manufacturing Plc is located in Addis Ababa and is part of the Soap, Cleaning Compound, and Toilet Preparation Manufacturing Industry. It has 200 total employees across all of its locations and generates around \$11.20 million in sales (Unilever Portal Page, 2021).

Multi-National Companies (MNCs) have grown and developed in large scale that they are part of daily lives in this 21st century. From the mobile phones, to the daily cosmetic products we use, from the cars we drive to the fuel that keeps it running, from the personal computers to the software's on their hard disc and even from the coffee we drink to the fast food we eat, most of the products we use are supplied by multinational corporations (Köksal, 2006).

MNCs benefit from the lower labor costs and grants given by the government of developing countries. Additionally, lower tax rates or tax exemptions are also given to MNCs for a period in

the developing countries. Alternatively, these developing countries can also gain from the investment made by these MNCs. MNCs can help reducing poverty, driving economic growth, creating jobs that utilize local people, raise employment standards by paying better wages than local firms are pay. In addition, they can boost economic development by transferring technology and knowledge, improve or build up infrastructure, raise people's standard of living (Lipsey, 2002).

The globalization of product, financial, and labor markets has made it easier for companies to produce many of the goods and services they sell wherever in the world the right skills can be found at the lowest cost. The desire to sell products worldwide has also created incentives for firms to have a presence in multiple countries. Together these facts have made labor relations in many industries global in scope. Globalization is of particular importance to emerging countries. Nearly 50 percent of the world's manufacturing employment is now located in emerging countries (Lipsey, 2002).

Today multinational corporations are not only production centers that supply crucial and commercial goods to us. But also, they have grown to such an extent that starts to act as an economic, political and also an influential actor. They have integrated the world economy more extensively than ever in the past and they have taken global economic interdependence beyond the realms of trade and money in to the area of industrial production. Their integrating economic power evolves to an influence that can even effect political and economic relations between nation states. The size of their commercial activities requires not only economic power but also political one to control and manipulate nation states affairs and relation (Mekoyet, 2016; Köksal, 2006)

Although, MNCs can offer better salaries to their employees and thus attracting quality local staff, positively influence other national firms such as making them more competitive through international experience and advanced technology (MNCs) operating in emerging markets face a variety of complex and multifaceted challenges. The real challenges are the political, economic, social and cultural environment of the host countries (Diaconu&Cuza, 2008),

Multi-National companies (MNCs) operating in developing countries are highly unpredictable, unstable and less profitable. MNCs operating in emerging markets faced variety of complex and

have many opportunities. Whether they are domestic or foreign face a variety of complexities and challenges the real challenges for MNCs is to achieve sustainable growth and profitability in the emerging markets while contributing to the overall well-being of human being (Ayubmohammed, 2015).

In the Ethiopian context, still there is persisting poverty and unemployment but there are much favorable conditions to operate MNCs in the country (Ayube, 2015). This initiates the researcher to investigate the challenges of multinational companies in Ethiopia the case of Unilever Ethiopia.

1.2 Statement of the problem

Recently, attracting MNCs become a significant policy priority in developing countries. This is so with a view to reap the positive effects of MNCs presence and hence, such companies have been widely recognized as a growth enhancing factors for host countries (Mesfin, 2016). Similarly, Ethiopia has great potential for investments for several reasons such as rapid economic growth, favorable political environment, large domestic and international markets, low cost and abundant labor, massive investment in infrastructure; and favorable policy and laws to attract investor (EIA, 2014).

According to (Meskerem, 2014), Multinational Companies acts as a vehicle for the transfer of advanced manufacturing technologies from developed countries to the Less developed countries; increase competition in the host country's market; helps the host countries improve their foreign exchange reserves by increasing export; brings management know-how needed to run the facilities; enhances the training and employment opportunities, reduces the burden of imports on the host countries through import substitution; and acts as catalyst for increasing domestic savings and investment. She also articulated Foreign Direct Investment (FDI) affects Ethiopian economic growth positively.

Accordingly, Ethiopia has attracted a total FDI of 3.75 billion dollar in Ethiopian fiscal calendar ended July 7, 2018 and additional 834 million dollar FDI in July – December 2018 (Keba, 2020). In the contrary, there are several constraints to foreign investment, the most prominent being high interference of the state in the economy that create uncertainty for the sustainability of projects, poor condition of infrastructure, difficulties related to land acquisition, strict foreign

exchange control, high transaction costs, weakness of institutions, political unrest affecting the sense of security among foreign investors, ethnic conflicts often arising from the use of resources and land disputes occasionally become violent (Sardar, Katrin, Alexandra & Lucas, 2020).

In addition, there were few research attempts to assess challenges of MNCs in Ethiopia. Therefore, the study would assess the production (operational performance) of Unilever Ethiopia with respect to economic environment, political environment, taxes regulation and exchange control.

1.3 Research questions

The study would answer the below research questions.

- What are the challenges Unilever Ethiopia is facing while operating?
- How Unilever Ethiopia tackles challenges it faces while operating?
- What are the strategies to address challenges of Unilever Ethiopia?

1.4 Objective of the study

1.4.1 General Objective

The main objective of this study is to assess the operational challenges of Unilever Ethiopia with respect to economic environment, political environment, taxes regulation and exchange control.

1.4.2 Specific Objective of the Study

The specific objectives of this study are:

- To identify operational challenges of Unilever Ethiopia
- To investigate sustainable profitability of Unilever Ethiopia
- To suggest strategies to address the operational challenges of Unilever Ethiopia

1.5 Scope of the Study

The study would be delimited to assess the challenges of Unilever manufacturing Plc (Unilever Ethiopia). Because of the company engaged in the manufacturing of different products like home, personal care and food since 2014, the operational challenges would be identified give picture about the challenges of most multinational companies in Ethiopia. The respondents

would be selected from Kazanchis, Addis Ababa main office. The study would technically focus on company's production (operational performance) challenges in relation to economic environment, political environment, Taxes Regulation, and exchange controls.

1.6 Significance of the Study

The study would provide information about the challenges of Multinational corporations who want to invest in Ethiopia, development agencies and policy and program developers. It would also contribute to the investment policy objectives that guide private sector investment to address challenges of Multinational companies. Finally, the study would contribute Multinational companies to give emphasis on the management of their challenge in Ethiopia.

1.7 Limitation of the Study

This study was a single case study with selected multinational company in Ethiopia. Hence, the conclusions are not applicable to all multinational companies or the country in general. In addition, the study focused only on the production performance measured with the production volume and profit trend. And the identified lists of challenges are not compressive.

1.8 Organization of the Study

The thesis work surrounds by Five Chapters: The first chapter presents a study background, statement of problem, research questions, objectives, significance, scope and limitations of the study. Chapter two presents the theoretical framework of the study. Chapter three presents research design, study population, sample and sampling techniques, data collection, data reliability and validity and data analysis techniques. Chapter four presents data analysis, results and discussions including results of the descriptive statistics and regression analysis. The last chapter, chapter five summery of findings, conclusion and recommendations of the thesis work were provided. Vital documents would be annexed at the end

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Literature Review

2.1.1. Multinational Companies' Definition

Globalization allowed international companies to give more emphasis on investing abroad and grabs any economic opportunities through integration and interdependence of the countries around the world.

Multinational corporations are organization with the intention to generate revenue or profit by working their business activities in more than one country by increasing their sales volume, acquire new resources, diversification of their business so as to reduce competitive risks and such companies have their head quarter in home country and operate in foreign countries (Mira, 1991).

Multinational companies have been playing a great importance in the economic environment as a force of global economic development; technological transfer and deepening globalization. They are called multinationals as a result of their establishment beyond their domestic economies having new subsidiaries in another jurisdiction by purchasing branches in the form of mergers and acquisitions (Grace, 2016).

2.1.2 Challenges faced Multinational Companies

2.1.2.1 Socio-cultural Environment

The dimension of culture such as social, religion, customs and rituals, values and attitudes and language has a major effect on a business. For instance, the perception of the customer may depend on the culture, the price of the product, religion, customs; social conditions as well as the buying behavior of the individuals in community. The way that goods or services are produced and introduced to the society and the way that customers use these products are completely influenced by attitude, customs and by culture (Doole and Lowe, 2004).

There are several different factors that can affect societies; however cultural differences, more than any other factors, have influenced societies on the basis of and language (Cavusgil, Knight, 2008). This element can affect a person's behaviour as well as their opinion (Cavusgil, Knight, 2008). It is important for companies that their employees have knowledge about their cultures and learn about the important aspects of the host country before settling a subsidiary there (Kotler et al., 2008).

By understanding the countries norms, companies can use cultural nuances as an advantage when positioning the products internationally. Kotler et al.,(2008) state that companies that take advantage of the diverse experience from the challengesmulticultural work environment, enjoy a wider and have a more open platform for addressing.

2.1.2.2 Legal environment

Country should have flexibility and adaptability with law and other legal rules in each society, having knowledge about the legal environment in each country that a company wants to operate in is externally important (Doole and Lowe, 2004). The legal system, by incorporating procedure and institution, provide ensuring order for tax economic output as well as commercial activities and also protect companies' assets (Cavusgil, knight, 2012).

The domestic policies and market conditions are not the only factors that have influence on the domestic economic developments; however both domestic and international economics and policies affect the domestic economic developments (Cavusgil, Knight, 2012). The countries' laws and regulations can increase the countries risks as well. If the foreign companies consider there regulations as an unfavourable for investing or if they realize that the legal system is inadequate, they will not be willing to operate in that market. (Cavusgil, Knight and Risen Berger, 2012)

2.1.2.3 Economic Environment

Economic environment includes the nature of the economic system, the economic policies of the government, rate of inflation, interest rate and business cycle. Indeed, if they organization wants to receive a maximum of benefits, they should know about the market situation and make it

ready for their product (Doole and Lowe, 2004). International marketers are required to have a good estimation regarding the economic developments (Kotler et.al. 2008).

There are two economic factors that reflects a country's attractiveness as a market, these are; the country's industrial structure, which shapes the products and service needs, and the income distribution (Kotler et al., 2008) There are four types of industrial structure that need to be considered. The first one is the subsistence economies where the vast majority is engaged in simple agriculture. They consume most of their output and offer market opportunities. The second type is Raw-material exporting economies, these types of economics are very productive in one or more natural resources, but are penurious in other ways. These markets are beneficial for products such as, large equipment, tools and trucks. However, if there is a wealthy upper class and a lot of foreign residents, the market can be beneficial for luxury goods (Kotler et al., 2008).

The third type is the industrializing economies where the manufacturing stands for 10 to 20 per cent of the country's economy. It is typical for industrialization economies to create a new rich class and growing but small middle class, who both demand new imported products. The final type is industrial economic. This economic type is regarding large exporters of manufactured goods and investments. They export to other types of economies for raw materials and semi-finished goods. This is a rich market due to their large middle class and the various manufacturing activities (Kotler et al., 2008).

2.1.2.4 Political Environment

Each country has a unique political system which evolved within a particular historical, cultural and economic context (Cavusgil, and Knight, 2012). Companies operation and decision making can be affected by a political environment which involves international /national political factors (Doole and Lowe, 2004). In the international market, politics play an important role for companies when make decisions in order to invest in the market and also having the knowledge about how to develop the market (Doole and Lowe, 2004).

The government bureaucracy is one of the main factors that should be taken in consideration by companies (Kotler et. al. 2008). The government's view of business and freedom is completely affected by politics. Unstable political regimes can create a different risk for companies which

they never have to face in the domestic market. The country risk can have had influenced all the companies equally or subset. The new government, initiative, developed by interest of the group and shifting values in political parties, can raise the country risk (Cavusgil, and Knight, 2012). A Government's tendency to change rules and regulations could influence the international strategy and provide both challenges and opportunities for companies (Doole and Lowe, 2004).

2.1.2.5 Technological Environment

The whole part of the market procedure can be seen as technological effect (Doole and Lowe, 2004). Indeed, the way of providing the goods, services, ability of gathering data, the quality of those products and management control ability, are revolutionized during the time by the development of electronic communications (Doole and Lowe, 2004).

The fast growing technology such as the internet has made an enormous influence in the business market. Technology can affect the efficiency of production levels outsourcing decisions. Technology also considers different factors such as research and development activity, bandwidth capacity and rate of technological changes (Bensoussan and Fleisher, 2008).

The potential host countries' technology is important for a company before operating there The company must be well informed about the technology level, commercial and administrating skills of the chose market before making any decisions, especially regarding the industrial market which is strongly affected by technological conditions. The technology issue is crucial for companies, particularly in buyer-seller interaction (Cavusgil, and Knight, 2012).

2.1.2.6 Country risk

Country risk is a potentially adverse effects of a country's political environment and its economic and financial environment. Understanding country risk and political risk is an important aspect of international capital budgeting and managing operations in other countries, especially developing countries. It also explains which risks are diversifiable and which are not. It explores how multinationals, such as the international oil companies, manage the risks(Robert, 2014).

Country risk includes the adverse political and economic risks of operating in a country. For example, a recession in a country that reduces the revenues of exporters to that nation is a

realization of country risk. Labor strikes by a country's dockworkers, truckers, and transit workers that disrupt production and distribution of products, thus lowering profits, also qualify as country risks. Clashes between rival ethnic or religious groups that prevent people in a country from shopping can also be considered country risks. Country risk also affects investors who buy emerging market securities and the banks that lend to countries (Robert, 2014).

2.1.2.7 Financial and Economic Risk Factors

Financial and economic risk variables are directly related to the ability of the country to generate inflows of foreign exchange sustainability of the fiscal situations of countries. Investors understand that private liabilities of failing financial institutions may be shifted to federal governments. Factors such as inflation and real economic growth are useful as well. A country's economic health directly affects the cash flows of a multinational firm, and it may also be informative about political risk in a narrow sense. The better a country's economic situation, the less likely it is to face political and social turmoil that will inevitably harm foreign (and domestic) companies. Political Risk Factors. This section lists the most important factors a multinational corporation (MNC) should be aware of in assessing political risk. Expropriation or Nationalization The most extreme form of political risk is the possibility that the host country takes over an MNC's subsidiary, with or without compensation (Robert, 2014).

2.1.2.8 Taxes and Regulation

Governments can dramatically change the "rules of the game" that were in place when an MNC first made its investment in the host country. Examples include unexpected increases in taxes, restrictions on hiring and firing local workers, and sudden stricter environmental standards. Some industries may be more susceptible than others, especially if the foreign corporation is dominating its local competition. MNCs are also sometimes forced by governments to sell their equity stakes in local subsidiaries because of foreign ownership restrictions. Governments often make decisions that can indirectly affect the cash flows of MNCs (Robert, 2014).

2.1.2.9 Exchange Controls

Governments have been known to prevent the conversion of their local currencies to foreign currencies. In general, doing business in countries with inconvertible currencies puts an MNC at considerable risk (Robert, 2014).

2.1.3 Benefits of MNCs to the Operating Countries

2.1.3.1 Economic Growth

MNCs can be considered as a major stimulus to economic growth in developing countries. According to orthodox liberals, inward FDI provides external financing to compensate for inadequate amounts of local savings and foreign aid. In general, FDI inflows are more stable and easier to service than commercial debt or portfolio investment. Global FDI flows rebounded to USD 972 billion in the first half of 2022. However, much of the increase came in the first quarter, whereas global FDI flows dropped by 22% in Q2 2022, compared to the previous quarter. This drop is not surprising given increasing inflation and interest rates, rising energy prices and Russia's full-scale invasion of Ukraine. Greenfield projects showed moderate signs of growth in the first semester of 2022, mostly driven by large investment projects announced in emerging markets and developing economies in manufacturing sectors, especially in the renewable energy (OECD, 2022)

FDI is thought to bring certain benefits to national economies. It can contribute to gross domestic product (GDP), gross fixed capital formation and balance of payments.

2.1.3.2 Export-based Industrialization

The countries in East and Southeast Asia, who had attracted MNCs as part of their export-oriented strategies, provided clear evidence that MNCs could vitally assist in export-based industrialization in developing countries. Thus, during the 1980s and into the 1990s, many developing-country governments liberalized their policies on foreign direct investment (Grieco & Ikenberry, 2003).

Singapore effectively tailored industrial policies to attract multinationals and successfully managed MNCs productively to complement indigenous industry. Singapore benefited from

neither rich natural resources nor proximity to large economic markets. Strong leadership, proactive industrial strategy, and a consistent and favourable policy towards MNCs, enabled it to capitalise on MNCs investment (Velde, 2001).

2.1.3.3 Capital Formation

Major share of the total capital flow to developing countries comes from MNCs' investments and that foreign multinationals are indeed more productive, pay higher wages and are more export intensive than local firms (Markusem, 1995).

MNCs contribute important foreign exchange earnings through their trade effect of generating exports. By producing goods for export, the balance of payments of the developing countries enhance the economic growth, becoming a more attractive prospect for further investment as well as contributing to the growing role of developing countries in world trade. MNCs provide immediate access to foreign markets and customers which would take domestic firms years of investment and effort to acquire for themselves (Strange, 1995).

2.1.3.4 Technology/Research and Development

Technology development and work processes improvement differ greatly in developing countries, and even in some cases between regions. For example, Bangkok or the South of Thailand is more developed than some Northern areas. MNCs contribute greatly in providing the foundation for technological development. A vital resource gap filled by the MNCs, as proponents say, is technology. The desire to obtain modern technology is perhaps the most important attraction of foreign investment for developing countries. MNCs allow developing states to profit from the sophisticated research and development carried out by the multinationals. They make available technology that would otherwise be out of the reach of developing countries (Spero & Hart, 2010). MNCs train local staff, stimulate local technological activities, and transfer technology throughout the local economy. Accordingly, technology improves the quality of production and encourages development (Page, 1994).

2.1.3.5 Poverty Alleviation

The multinational corporations encourage people to produce a certain product, and these products make the workers' life improved. The international operation of these corporations is

consistent with liberalism but is directly counter to the doctrine of economic nationalism and to the views of countries committed to socialism and state intervention in the economy” (Gilpin, 1987; p. 248).

2.1.3.6 Employment Generation

MNCs play a role in creating new kind of jobs and therefore can contribute to employment generation and the increase of quality of life of the employees in developing countries. MNCs account for one-fifth of all paid employment in non-agricultural sectors and creates a large number of jobs in the manufacturing industries, especially where technology is concerned (UNRISD, 2010). In addition, MNCs have a positive impact on welfare of the employees. Supporters say that the creation of jobs, the provision of new and better products, and programs to improve health, housing and education for employees and local communities improve the standard of living in the developing countries.

2.2 Empirical Review of Related Literature

Grace (2016) studied the role of multinational corporations on sustainable development with the specific focus on Tanzania Tobacco Processing Company using both quantitative and qualitative study approach with 100 participants in the form of interview and questionnaires. The study found that the company invested in its employees by increasing human capital and in the society through commitments to Corporate Social Responsibility. The company also increased human capital through job rotation, mentoring, coaching, job context, and job enrichment. The study also found that increased human capital resulted in employees’ motivation which was essential for improving organization performance.

Getinet and Hirut (2005) studied the nature and determinants of foreign direct investment in Ethiopia over the period 1974-2001. The study found that growth rate of real GDP, export orientation, and liberalization, among others, have positive impact on FDI. On the other hand, macroeconomic instability and poor infrastructure have negative impact on FDI. These findings imply that liberalization of the trade and regulatory regimes, stable macroeconomic and political environment, and major improvements in infrastructure are essential to attract FDI to Ethiopia.

Accordingly, Ethiopia has attracted a total FDI of 3.75 billion dollar in Ethiopian fiscal calendar ended July 7, 2018 and additional 834 million dollar FDI in July – December 2018 (Keba , 2020).

Mekoyet (2016) studied challenges faced by multinational companies: The case of Castel Winery companies in Ethiopia. The study found that during the study period there were low labour productivity, poor existing infrastructure, and systemic problems such as corruption, credit monopoly, and trade restrictions that discouraged foreign investment in Ethiopia.0 The selected company was Castel Winery Factory, a French originated multinational company in Ethiopia and it was found that the company faces challenges from social /cultural environment, legal environment, economic environment, political environment and other challenges like challenges from weather condition, challenges from social responsibility, challenges from the infrastructure etc.

In Song and Helen (2019) studied on Multinational Corporations and their Influence through Lobbying on Foreign Policy using both qualitative and quantitative approach. In their study a novel dataset of lobbying in the US encompassing lobbying activities of all public firms from 1999 to 2019 were introduced and used. The study found that there was strong evidence during the study period for an increase in lobbying expenditures when firms become multinational. Furthermore, the study found that that MNCs tend to lobby on a more diverse set of foreign policy issues. Then the study suggested that MNCs are important political actors whose distinct interests and influence should be incorporated into our understanding of foreign policy-making.

2.3 Conceptual Framework

The conceptual framework explained the connotation between Taxes Regulation, economic environment, political environment and exchange control, and production (operational) performance with an attempt also to show the affect and direction of Taxes Regulation, economic environment, political environment, and exchange controls on production (operational) performance.

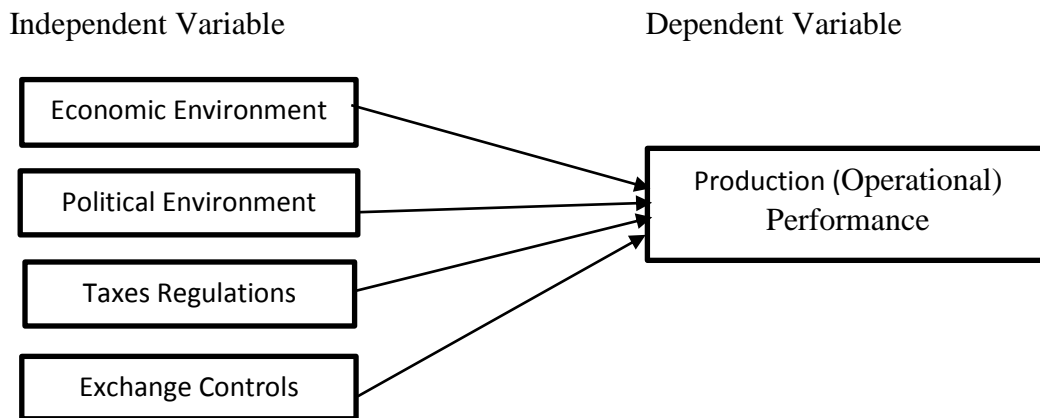


Figure 2.1 Conceptual Framework

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This chapter discusses the research methodology followed in the study. It indicates the research design, the population, research instrument, sampling techniques and data analysis techniques.

3.1 Research Design

In this study the researcher used descriptive research design, specifically frequency, percentage and cross tabulation which is the most commonly used research method.

3.2 Research Approach

This study used both qualitative and quantitative data collection methods. Qualitative and quantitative researches provide both an in-depth look at context, processes, and interactions and precise measurement of challenges and opportunities. The use of mixed method approach makes the presentation of the results convincing and powerful (Marguerit, Dean, & Katherine, 2006). Mixed methods research is defined as the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts of language in to a single study (Johnson and Onwuegbuzie, 2004). It is a research in which the investigator collects and analyses data integrates the finding and draws inferences using both qualitative and quantitative approaches in a single study. This method used in the different phases of the research to obtain a variety of information through deeper analysis.

3.3 Data types and Sources

To accomplish this research primary data used. The primary data was obtained through questionnaires and interviews. The study used questionnaire to collect data from employees who are currently working in Unilever manufacturing Plc (Unilever Ethiopia). Closed and scaled items would be carefully applied to get and generate all necessary information. The interview guide was structured and semi structured type that would enable the interviewee to follow logical sequence of predetermined questions as well as probing for further information. In order to

strengthen the data collected from primary sources, document review, company website and portal page would be used to collected secondary data.

3.4 Model Specification

As indicated above, the dependent variable, production (operational) performance of Unilever Ethiopia whereas; economic environment, political environment, taxes regulations and exchange controls were used as independent variables of the study. So, models of this would be as follow:

$$\text{Production (operational) Performance} = \alpha + \beta_1 EE + \beta_2 PE + \beta_3 TR + \beta_4 EC + \epsilon_t$$

WHERE

β_s = Are Coefficients

EE= Economic Environment

PE= Political Environment

TR= Tax Regulation

EC=Exchange Controls

ϵ =error term

3.5 Study of the Population

The total number of populations for the selected Multinational Corporation or Unilever Ethiopia would be around 200employees.

3.6 Sampling Techniques

A sample of 133 existing and permanent employees would be selected. The selection would be categorized into permanent employees and section heads. The total number of samples is calculated using the below formula at 95% level of confidence and 5% margin of error.

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

$$200/1 + 200 (0.05)^2$$

$$200/1 + 0.5 = 1.5$$

$$200/1.5 = \mathbf{133}$$

Random sampling technique were used employed to select department heads since they have

more knowledge and exposures about the overall challenges and opportunities of the multinational company working in Ethiopia. Accordingly, department heads would participate on the interview process. Departments would be stratified and random sampling procedures within each stratum would be used on existing employees and samples would be taken from each strata department. The research would follow the method of proportional allocation under which the size of sample from different department would be kept proportional to the size of the strata.

3.7 Data Collection

3.7.1 Questionnaire Survey

The study used questionnaire to collect data from employees who were currently working in Unilever manufacturing Plc (Unilever Ethiopia). Closed and scaled items were carefully applied to get and generate all necessary information. The questions were systematically categorized so that respondents can easily understand and express their fillings.

3.7.2 Key Informant Interview

In interview, through direct personal investigation researcher collects data personally from two of the company's employee who are experts on Demand Planning and Projects on food. The interviewee has more than two years of experiences on the company and the researcher believes that these experts, with their particular knowledge and understanding, can provide insight on the nature of problems and give recommendations for solutions.

Interview helped to generate in depth information and gave greater flexibility for questions, and was suitable for intensive investigations. The interview questions are designed in a way that more specific and truthful answers could be received. This method would help the researcher to get additional information that might not be provided by the questionnaires.

The researcher has taken notes during the interview by printing the key questions drafted that includes operational challenges encountered, the cause of operating challenges and the suggestion to overcome these challenges. The interview has taken one hour.

3.7.3 Data Analysis

Data collected through questionnaire and interviews were coded and analyzed using computer and the software program, statistical package for the social science software (SPSS). The researcher used descriptive statistics such as frequency counts, percentage, mean values, and charts for structured items and interpret according to the findings and finally triangulate data obtained both in questionnaire and interview analysis. The data were grouped into tables, figures and graphs to be analyzed, summarized and recommended.

3.8 Data validity and reliability

Reliability is the consistency of a set of measurements or measuring instrument, often used to describe a test. One of the most commonly used is called Cronbach's Alpha. The Cronbach Alpha coefficient is a measure of internal consistency of the scale. A higher value of the Cronbach's Alpha coefficient implies that the items that make up the scale inter-related and measure the same underlying construct.

Validity is concerned with whether the findings are really about what they appear to be about. Validity defined as the extent to which data collection method or methods accurately measure what they were intended to measure. Different steps were taken to ensure the validity of the study. Data were collected from reliable sources, from respondents who should provide a valid answer. Survey question were prepared based on literature review and frame of reference to ensure the validity of the research

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

This chapter includes the data presentation, analysis and interpretation of the findings. The analysis starts with a description of the respondents' demographic profiles. The survey was conducted with 132 respondents representing 99.24 percent of the sample size.

4.1. Descriptive Analysis

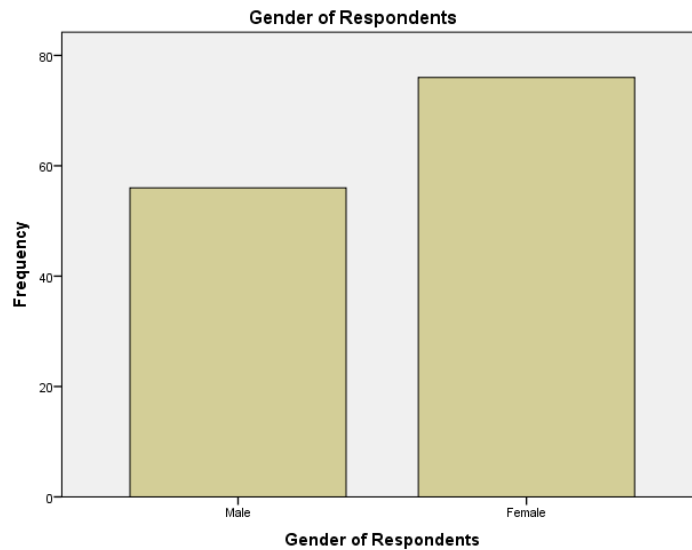
4.1.1. Personal Background of Respondents

Table 4.1 Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	56	42.4	42.4	42.4
	Female	76	57.6	57.6	100
	Total	132	100	100	
Total		132	100		

Source: Own survey (2022)

The respondents were asked to indicate their gender and the results are shown above. Table 4.2 indicates 56 (42.4%) of the respondents were male and 76 (57.6%) were female. From this, the number of male respondents is by far less than female.



Graph 4.1 Gender of Respondents

Table 4.2 Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-28	76	57.6	57.6	57.6
	26-33	37	28.0	28.0	85.6
	34-41	19	14.4	14.4	100
	Total	132	100	100	
Total		132	100		

Source: Own survey (2022)

The age distribution of the respondent who participated in the study is provided in Table 4.3. The sample age categories were divided with a range of 7 years except the age category between 18 and 28. Accordingly, the results showed that 57.6% were aged between 18 and 28 years old and 28 % were between 26 and 33 years of age while 14.4 % were between 34 and 41 years. This implies that most of the respondents were between 18 and 28 age categories; the smaller proportion of respondents were between 34 and 41 years old.

Table 4.3 Educational level of Respondents

Educational level of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Degree	132	100.0	100.0	100.0

Source: Own survey (2022)

The educational level of the different respondents is shown in Table 4.4. As summarized in the table; the respondents' educational levels were first degree. This is an indication that the respondents are also at adequate education level to understand the challenges of multinational companies.

Table 4.4 Major Clients

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Companies	94	71.2	71.2	71.2
General consumers	38	28.8	28.8	100.0
Total	132	100.0	100.0	

Source: Own survey (2022)

The major client of Unilever Ethiopia is shown in Table 4.5. As summarized in the table, 71.2% of company's clients were companies and 28.8% were general consumers.

4.2. Data reliability Test

As the study is based on a survey research it is very crucial to validate the scales used for reliability and validity. Reliability implies the degree of accuracy and consistency of the items intended to be measured. The instrument for this study contains 17 items which are in a Likert scale type. The total reliability tests of the variables is measured using cronbach's Alpha.

Cronbach's alpha is a measure of internal consistency with the coefficient value between 0 and 1 which is used to rate the internal consistency of the items in a test and shows the degree of close relationship between the items as a group. Whenever the inter-correlations that exist between scale items increases, the coefficient of Cronbach's alpha increases as well and that is why it's known internal consistency estimate of reliability of test scores.

If the value of Cronbach Alpha is within the range of 0.60 to 0.80, it means that the value of Cronbach Alpha is moderate and acceptable. Then, if the value of Cronbach Alpha is above 0.80 to 1.00, then the value of Cronbach Alpha is very good (Daud, K.A.M., Khidzir, N.Z., Ismail, A.R. and Abdullah, F.A. (2018)

Table 4 and Table 5 illustrate the reliability of the independent and dependent variables. Based on the results presented in this table, it can be concluded that all the scales used in the study were reliable. Thus, they can be used to measure the variables under study. A cronbach's alpha of 0.615 is obtained which is considered moderate and acceptable by scholars such as Daud, 2018)

Table 4.5 Measure of Internal Consistency- Cronbach's alpha for all variables

Reliability Statistics	
Cronbach's Alpha	N of Items
.615	4

Table 4.6 Measure of Internal Consistency- Cronbach's Alpha

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Exchange controls	9.6212	9.214	.071	.757
Political environment	9.5606	5.638	.573	.387
Economic Environment	9.2348	7.097	.433	.517
Regulations	9.6970	6.533	.578	.411

Table 4.7 Measure of Internal Consistency- Cronbach's Alpha for all questionnaire items

Reliability Statistics	
Cronbach's Alpha	N of Items
.725	17

4.3. Interpretation of Results

This section discusses the results of the survey about perception of employees on the challenges of multi-national companies (Unilever Ethiopia) using indicators like exchange controls, taxes regulations; political environment, and economic environment. In addition, there effects on operational performance are presented below.

Table 4.8 Exchange controls

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	15	11.4	11.4	11.4
Disagree	24	18.2	18.2	29.5
Neutral	51	38.6	38.6	68.2
Agree	19	14.4	14.4	82.6
Strongly agree	23	17.4	17.4	100.0
Total	132	100.0	100.0	

Source: Own survey (2022)

The table 4.9 above indicates among 132 respondents, 38.6% of the respondents responded that neutrally on challenges of Multi-national companies like prevention to convert local currencies to foreign, shortage of foreign currency supply, long wait to have permission of letter of credit, and quota system on the supply of foreign currency. While 18.2%, 17.4%, and 11.4% of the respondents responded disagree, strongly agree, and strongly disagree respectively about challenges of Multi-national companies on aspects of exchange control.

Table 4.9 Taxes Regulations

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	4	3.0	3.0	3.0
Disagree	53	40.2	40.2	43.2
Neutral	33	25.0	25.0	68.2
Agree	22	16.7	16.7	84.8
Strongly agree	20	15.2	15.2	100.0
Total	132	100.0	100.0	

Source: Own survey (2022)

The table 4.10 above indicates among 132 respondents, 40.2% of the respondents responded that disagree on challenges of Multi-national companies like unexpected increase in taxes, unexpected restrictions on hiring of local workers, sudden stricter on environmental standards, and foreign ownership restriction. While 25%, 16.7%, and 3% of the respondents responded neutral, agree, and strongly disagree respectively about challenges of Multi-national companies on aspects of taxes regulations.

Table 4.10 Political Environment

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	10	7.6	7.6	7.6
Disagree	54	40.9	40.9	48.5
Neutral	5	3.8	3.8	52.3
Agree	33	25.0	25.0	77.3
Strongly agree	30	22.7	22.7	100.0
Total	132	100.0	100.0	

Source: Own survey (2022)

The table 4.11 above indicates among 132 respondents, 40.9% of the respondents responded that disagree on challenges of Multi-national companies like government bureaucracy, business freedom/intervention/, instability of political regimes in the country and government initiative of home-grown economy. While 25%, 22.7%, and 3.8% of the respondents responded agree, strongly agree, and neutral respectively about challenges of Multi-national companies on aspects of political environment.

Table 4.11 Economic Environment

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly disagree	8	6.1	6.1	6.1
Disagree	17	12.9	12.9	18.9
Neutral	46	34.8	34.8	53.8
Agree	27	20.5	20.5	74.2
Strongly agree	34	25.8	25.8	100.0
Total	132	100.0	100.0	

Source: Own survey (2022)

The table 4.12 above indicates among 132 respondents, 34.8 % of the respondents responded that neutral on challenges of Multi-national companies like shortage of raw materials, fluctuations of exchange rate in the market, and economic structure of agriculturally based economy. While 25.8 %, 20.5%, and 6.1 % of the respondents responded strongly agree, agree, and strongly disagree respectively about challenges of Multi-national companies on aspects of economic environment

Table 4.12 Production Performance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid High	33	25.0	25.0	25.0
Medium	37	28.0	28.0	53.0
Low	62	47.0	47.0	100.0
Total	132	100.0	100.0	

Source: Own survey (2022)

The table 4.13 above indicates among 132 respondents, 47% of the respondents responded that the production performance of Unilever manufacturing plc measured in terms of production volume and profit trend is low. Similarly, 28% and 25% of the respondents were responded medium and high respectively.

4.4 Unilever Ethiopia tackles challenges it faces while operating

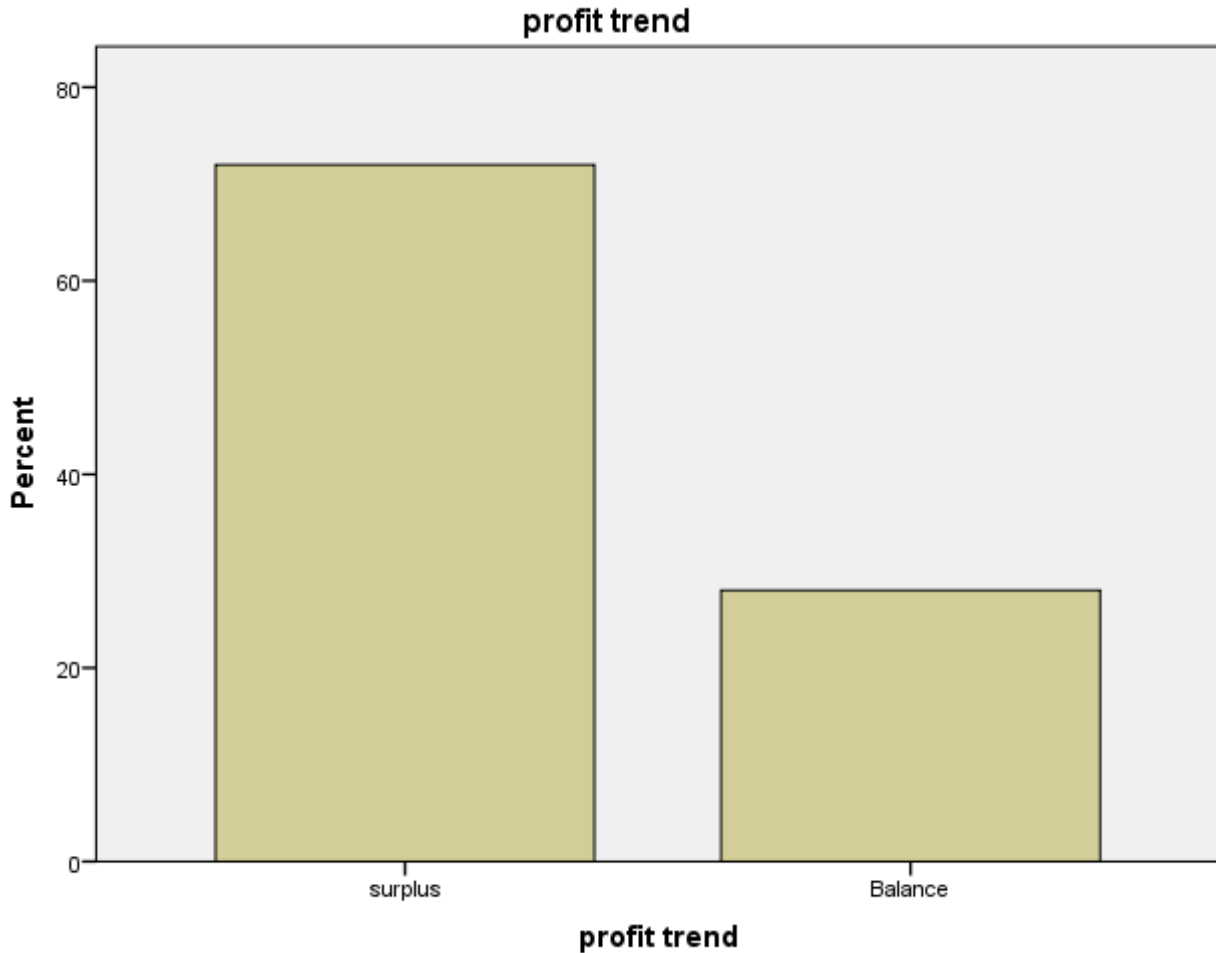
The major challenges faced by the company are mainly related to governmental policies and procedures and to tackle the problem faced, Unilever Ethiopia went through various mechanisms such as in-depth discussion of the concerned bodies by understanding of the underlying problems as well as supporting factors and reviewing strategies for tackling the problems select the alternatives.

However globally, despite the challenges of high inflation and slower global growth, the sales of Unilever have been showing growth and the operating margin of the company has also increasing. The change taken on category focused structure has been the major change to the operating model of Unilever for the purpose of delivering consistent growth as a priority. Though, the challenges of inflation persist and the global macroeconomic outlook is uncertain, Unilever remain intensely focused on operational excellence (Unilever, 2022)

Table 4.13 Profit Trend

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid surplus	95	72.0	72.0	72.0
Balance	37	28.0	28.0	100.0
Total	132	100.0	100.0	

The table 4.14 above indicates among 132 respondents, 28% of the respondents responded that Balance on profit trend of Unilever manufacturing plc and 72% of the respondents were responded surplus.



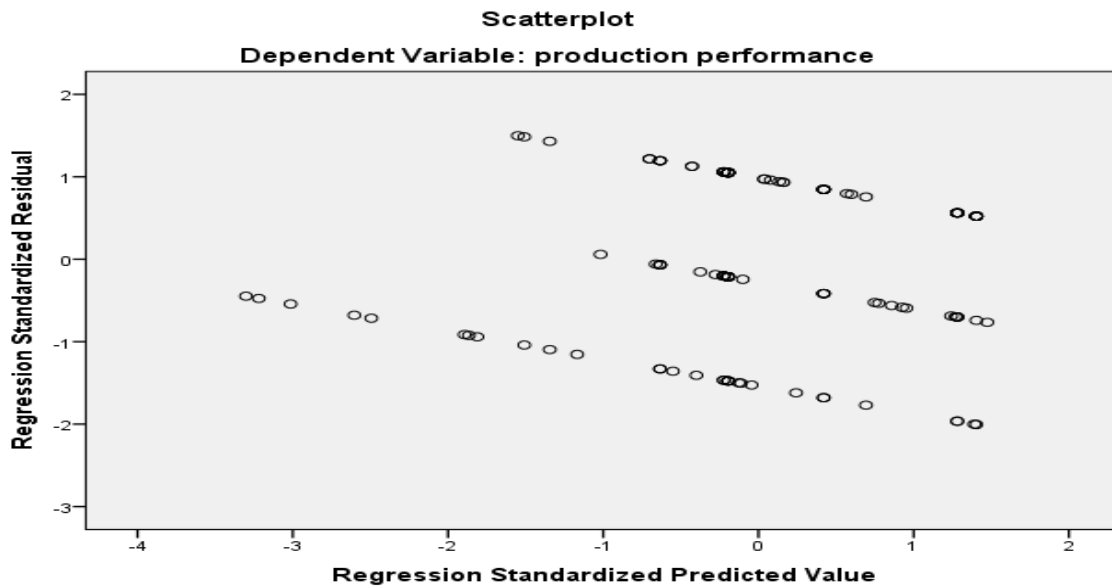
Graph 4.2 Gender of Respondents

4.5 Multiple Linear Regression Analysis

Below a multiple linear regression analysis is presented. The data were collected from 132 employees of Unilever manufacturing plc from Kazanchis Addis Ababa main office. The outcome measured in this analysis is operational performance of Unilever manufacturing plc. The perception of employees towards the operational challenges of the company is measured in terms of strongly disagree, disagree, neutral, agree and strongly agree. In addition, multiple linear regression analysis is conducted to see what relationships exist between the independent and dependent variables, and also to determine the predictability of the independent variables.

4.5.1 Normality Test

Normality test conducted to see the relationship between the independent variables and dependent variable is linear. Accordingly, the Scatterplot chart below shows moderately strong negative relationship. That is as the challenge of the company's resolved or minimized the company's operational performance/production performance/ will increase.



Graph 4.3 Scatterplot Chart

4.5.2 ANOVA

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.994	4	2.248	3.586	.008
	Residual	79.635	127	.627		
	Total	88.629	131			

Table 4.14 ANOVA

The above table 4.15 shows the significance value is less than 0.05 which indicates the model is a significant predictor of the outcome variable. Furthermore, we can say that the regression model significantly affects the production performance.

4.5.3 Multi-collinearity Test

Multi collinearity happens when independent variables in the regression model are highly correlated to each other. It makes it hard to interpret the model and also creates an over fitting problem. But the coefficient table 4.11 below indicates the collinearity tolerance less than 0.1 and Variance inflation factor (VIF) is greater than 10 which mean there is no multi collinearity among independent variables.

Table 4.15. Coefficients

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)	1.387	.291		4.767	.000	.811	1.963		
Exchange controls	.093	.057	.138	1.622	.107	-.021	.207	.980	1.021
Tax Regulations	-.115	.079	-.159	1.461	.146	-.270	.041	.595	1.681
Political environment	.054	.066	.089	.817	.415	-.076	.184	.595	1.681
Economic Environment	.208	.069	.299	3.006	.003	.071	.345	.716	1.396

4.5.4. Homoscedasticity Test

Homoscedasticity is the assumption that the variation in the residuals (amount of error in the model) is similar at each point across the model. In other words, the spread of the residuals should be fairly constant at each point of the predictor variables (or across the linear model). Therefore, the above scatterplot chart 1 shows the variance of the residual is constant.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

This section presents the summary and discussion of the findings of the study. But as a reminder, earlier demographics of the population were presented in the form of frequency analysis. On top that multiple linear regression analysis was used to determine the relationship between dependent and independent variables, and also to determine the predictability of independent variables using SPSS 23. Furthermore, the normality test and ANOVA were used to determine the association between exchange controls, taxes regulation, political environment, and economic environment (independent variable) that affect the production performance (dependent variable) and to test the statistical fitness of the model respectively.

Therefore, summary discussion and finding of the study with respect to objective of the study and research questions is presented below. The ANOVA test shows the significance value is 0.008 which is less than 0.05. That means exchange controls, taxes regulation, political, and economic environment significantly affect Unilever manufacturing plc. Production performance. The study identified the economic environment (shortage of raw materials, fluctuations of the exchange rate in the market, and the agriculturally based economy) significantly affect Unilever manufacturing plc production performance. That means when the economic environment improves, the company's production performance improves and vice versa.

The study also identified exchange control (prevention to convert local currencies, shortage of foreign currency supply, and long wait to have permission of LC) and political environment (government bureaucracy, intervention of government, and home-grown economy) does not significantly affect company's production performance even if they have a positive relationship.

Furthermore, the study identified taxes regulations (unexpected increase in taxes, restrictions on hiring of local workers, stricter environmental standards, and foreign ownership restriction) doesn't significantly affect company's production performance even if they have negative relationship. 47% of the respondents responded that the production performance of Unilever manufacturing plc measured in terms of production volume and profit trend is low.

5.2. Conclusion

Economic environment, exchange control, political environment, and taxes regulations affect the production performance of Unilever manufacturing plc. In addition, the economic environment such as shortage of raw materials, fluctuations of the exchange rate in the market, and the agriculturally based economy significantly affect company's production performance.

5.3. Recommendation

In line with the above conclusion, the following recommendations are forwarded:

- The government should solve foreign exchange shortage problem working with financial service providers within Ethiopia and abroad that is useful for importing raw materials and capital goods. In addition, partnering with export-oriented partners.
- Government has to increase raw materials availability with the required quality by means of strengthening raw materials producers' capacity.
- Encourage local investment and also promote infrastructure development in rural areas to expand the manufacturing sector.
- Government should provide a pro-business environment for the private sector.

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APPENDIX I -QUESTIONNAIRES

ADDIS ABABA UNIVERSITY

DEPARTMENT OF ACCOUNTING AND FINANCE

QUESTIONNAIRE SURVEY FOR RESPONDENTS

Dear respondent, this questionnaire will be intended to gather specific information about the challenges of Multi-National Company (Unilever Ethiopia), operating its business to address each specific objectives. The research is a partial fulfilment of the degree of Master in Accounting and Finance at Addis Ababa University. All the information provided in this questionnaire is confidential and will be used for academic purposes only.

Thank you for your cooperation.

SECTION I: PERSONAL INFORMATION

Please tick (√) in the right place

A. Sex of respondents:

1. Male []

2. Female []

B. Age group:

1. 18-25year []

2. 26-33 year []

3.34-41 year []

4. 42-49 year []

5. =>50 year []

C. Educational back ground

1. Primary education []

2. Secondary education complete []

3. Certificate []

4. Diploma []

5. Degree and above []

SECTION II:

Applies to companies that conduct production and processing activities in your area. Companies that only conduct sales in your area are applicable as a “Sales company” within the <Non-Manufacturing> category, even if the unilever Ethiopian partner company is a manufacturer.)

1. Foods, processed agricultural or marine products ()
2. Textiles (yarn, cloth, synthetic fabrics) ()
3. Apparel and textile products ()
4. Lumber and wood products ()
5. Furniture and interior products ()
6. Plastic products ()
7. Ceramics and cement ()
8. Iron and steel (including cast and forged products) ()
9. Nonferrous metals and products ()
10. Fabricated metal products (including plated products) ()
11. General machinery (including metal molds and machine tools) ()
12. Other Manufacturing industries ()

<Non-Manufacturing>

Fishery Agriculture and forestry Mining ()

1. Distribution trading company Sales company ()
2. Banking Insurance Securities ()
3. Transport/warehousing ()
4. Real estate judicial affairs/taxation ()
5. Hotel/travel/restaurant ()
6. Communications/software Construction/plants () and 7. Other ()

A. As a general type of operation: Please select the main clients of the major products that your company produces and distributes

1. Companies ()
2. General consumers ()
3. Other ()

B. Operational challenges of Unilever Ethiopia PLC concerning to;

- i. Economic environment
- ii. Taxes regulation
- iii. Exchange control and
- iv. Political environment

Using the scale in each category, where Scale:

1 = Strongly Disagree

2 = Disagree

3 = Neutral 4 = Agree

5 = Strongly Agree

Please tick the number of the rate on Statements that BEST describes the operational challenges of Unilever Ethiopia PLC.

No.	Statements on challenges of the Multi-National Companies	Level of agreement				
		1	2	3	4	5
Exchange controls						
1	There is prevention by Government to convert local currencies to foreign currencies.					
2	There is shortage of foreign currency supply.					
3	There is long wait to have permission of LC (letter of Credit).					

4	There is quota system on the supply of foreign currency					
Taxes Regulation						
1	There is unexpected increase in taxes rate.					
2	There are unexpected restrictions on hiring of local workers.					
3	There is sudden stricter environmental standards					
4	There is foreign ownership restriction.					
Political Environment						
1	Government bureaucracy					
2	The government view of business and freedom/ Intervention of government /					
3	The Instability of political regimes in the country.					
4	The current government initiative of Home Grown Economy.					
Economic Environment						
1	There is a shortage of raw materials					
2	There are fluctuations of the exchange rate in the market					
3	The economic structure of agriculture based economy offer market opportunities.					

C. What is the trend of operating profit in Unilever Ethiopian PLC is expected to be in

- 1) Surplus
- 2) Balance
- 3) Deficit

D. Compared to year to year, operating profit is expected to

- 1) Improve
- 2) Show no change
- 3) Worsen

E. If you answered in QD that operating profit for general is expected to improve and show no change for each please select the reason(s).

- 1) Increase in sales due to export expansion
- 2) Increase in local market sales
- 3) Increase in sales due to higher prices
- 4) Increase in sales due to development of new products / services
- 5) Increase in sales due to exchange rate fluctuation
- 6) Increase in high value-added products / services
- 7) Reduction in procurement costs manufacturing only)
- 8) Reduction in personnel expenses
- 9) Reduction in other costs (improved cost competitiveness)
- 10) Improved sales efficiency
- 11) Improved production efficiency manufacturing only)
- 12) Improved collection of credit accounts
- 13) Other ()

F. Which are the possible ways to sustain profitability of Unilever Ethiopian PLC?

- 1) Cancellation or postponement of new investment / facility investment ()
- 2) Downsizing of existing business ()
- 3) Closure / withdrawal of business base (including part of a business base) ()
- 4) Increased efficiency through management integration within the group (intensification of other bases, a shift to bases in other countries, etc.) ()
- 5) Employment adjustments ()
- 6) Reduction in days/hours for sales and operations ()
- 7) Rise in sales price ()
- 8) Reduction in sales price ()

- 9) Review suppliers (limit number of suppliers, change to cheaper suppliers, etc.) ()
- 10) Review delivering companies (change in delivering companies and new business development, including exports) ()
- 11) Launching new business ()
- 12) Reduction in costs through improved efficiency of production and sales ()
- 13) Expand the range of high value-added products / services ()
- 14) Expand the range of low price products / services ()
- 15) No measures have been taken () and 16) Other ()

SECTION III. Business Problems

The following questions ask which issues in each of the following categories you perceive as particularly serious business problems for your company in the country where it is located. Please select all answers that apply for each category.

H. Problem(s) in sales or other business activities (Select all that apply)

- 1) Decrease in production orders from headquarters ()
- 2) Decrease in orders from clients ()
- 3) Major clients requesting lower prices ()
- 4) Sluggishness in major sales markets (consumption downturn) ()
- 5) No increase in new clients or markets ()
- 6) Decrease in sales prices due to global oversupply ()
- 7) Inflow of cheap imported goods into local markets ()
- 8) Competitors' growing market shares (quality-wise competition) ()
- 9) Competitors' growing market shares (cost-wise competition) ()
- 10) Lack of progress in local deregulation ()
- 11) Accounts receivable in arrears ()
- 12) Other ()

I. Manufacturing only Problem(s) in production (Select all that apply)

- 1) Insufficient production capacity due to lack of facilities
- 2) Limited cost-cutting measures available
- 3) Increase in procurement costs
- 4) Difficulty in local procurement of parts and raw materials
- 5) Difficulty in changeover of production items within a short timeframe
- 6) Difficulty in quality control
- 7) High customs duties on imported capital goods and intermediary goods
- 8) Stricter environmental regulations
- 9) Electric power shortage
- 10) Inadequate logistics infrastructure
- 11) Other ()

J. What problems have your company encountered in the localization of management? (Select all that apply)

- 1) Difficulty in recruiting executive staff
- 2) A high turnover rate of executive staff
- 3) Conflict with head office policy regarding appointment of staff
- 4) Low-level language ability (Amharic and English)
- 5) Difficulty in reduction of expatriate staff
- 6) No progress with development of local staff
- 7) No progress with the transfer of authority from head office to local level
- 8) Capabilities in developing local products and services are weak
- 9) Capabilities in local planning and marketing are weak
- 10) Other ()

Please give your opinions about the question stated as follow;

1. What are the challenges of your company while operating that is not stated on the questionnaires above; please write on the blank space below?

2. What are the strategies that used to address operational challenges, please suggest any?

**APPENDIX II: INTERVIEW PROTOCOL
ADDIS ABABA UNIVERSITY**

DEPARTMENT OF ACCOUNTING AND FINANCE

Project/Organization/Name: _____

Respondent's Name (optional): _____

Position/role: _____

Date and time: _____

The interviewee is the member of the organizations and previously involved or still involved in the project.

Introduction

Good morning/Good afternoon Mr/Ms (name of respondent) my name is **Alemnesh Merid**. Before starting my question, I would like to thank you for your volunteer participation in this research. The interview will be divided into two sections and will last approximately 35 to 45 minutes.

This semi closed interview which is forwarded to the MNCs workers are part of academic research that aims to assess the challenges of Unilever Ethiopia as a multinational Corporation.

With this survey, I would like to identify challenges of Unilever Ethiopia while operating; to investigate the effort of Unilever Ethiopia in order to achieve sustainable operation profit; to suggest some policy recommendations.

All information you provide will kept in strict confidentially and only used for academic research. Please feel free to answer the questions with what you know and what you think in your mind. I value your participation and thank you for the commitment of time, energy and effort.

RECORDING CONFIDENTIALITY

I would like to ask your permission to make recording on our conversation. The reason why I want to make a record is in order to get full details about this interview which will help me for analysis phase. Other than that, it will also be more comfortable for us to discuss because I can focus much more on the conversation not on writing too much about the details of our conversation. The content of this interview is confidential. It will not be disclosed to anyone without your Permission. After the research; everything (recordings, notes, etc.) will be erased. Additionally, my supervisor will only have access to the analyzed information.

I. Questions about interviewee:

1. What is your role in the organization?
2. On what type of work, you are currently working?
3. What is your educational qualification and experience?

II. Interview Questionnaire for Selected Respondents

1. What are the challenges of the Multi-National Companies while you are operating the business in Ethiopia?
2. What do you think about the causes of those operational challenges?
3. What do you suggest to overcome the operational challenges of Unilever Ethiopia?

Thank You