



**Addis Ababa University**  
**College of Business and Economics**  
**School of Commerce**  
**Department of Business Leadership**

**The Role of Corporate Governance on Organizational Performance:  
The case of Unilever PLC**

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**A Project paper Submitted in Partial Fulfillment of the Requirement for the  
Degree of Master's in Business Leadership**

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**Addis Ababa, Ethiopia**

**Addis Ababa University**  
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## STATEMENT OF DECLARATION

I, Yonatan Kebrabe, hereby declare that this project paper titled “The Role of Corporate Governance on Organizational Performance: The Case of Unilever Ethiopia” is my own work. All sources of information and reference materials used have been duly acknowledged. Moreover, this study has not been submitted to any other academic institution or university for certification of degree.

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## **STATEMENT OF CERTIFICATION**

This is to certify that the thesis work entitled “The Role of Corporate Governance on Organizational Performance: The Case of Unilever Ethiopia” is submitted in partial fulfillment of the requirements for Master of Arts in Business Leadership to Addis Ababa University, School of Commerce and has got acceptance for the submission for the award of master’s degree in Business Leadership.

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Dr. Wubshet Bekalu  
Research Advisor

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## **Abstract**

*Corporate governance is a critical matter for the efficient operation and success of a business organization. It creates transparency and responsiveness to the rules and controls of the shareholders, directors, and Employees. In the current highly competitive business environment, any failure in corporate governance practices will directly impact the company's performance as well as existence of the company itself as demonstrated in recent high-profile cases. An effective corporate governance structure should promote sound internal control system, risk management, compliance with ethical and statutory requirements, ensures transparent and efficient markets, accountability, and trust in the management of organizations. The objective of this study was to examine the role of corporate governance on an organizational performance by taking Unilever Ethiopia as a case study. Exploratory and descriptive methods were used to test the relationship between commitment to corporate governance, the functioning of the board and transparency and disclosure on effective performance. Data was collected by a structured questionnaires with 5-point Likert scale from 68 top management, middle management, and officers of Unilever Ethiopia. The data was analyzed using SPSS statistical software to calculate correlation and regression to determine the relationship between the independent and dependent variable. The major findings of the study revealed that Unilever Ethiopia's performance was favorably impacted by corporate governance commitment in connection to effective performance. The results also showed that the board's function and operation were important in influencing Unilever Ethiopia's performance as well as Transparency and disclosure. This study recommends an increased focus on corporate governance practices within the organization and the implementation of a sound corporate governance structure to drive growth and profitability.*

## **List of Acronyms**

BoD: Board of Directors

CEO: Chief Executive Officer

CG : Corporate Governance

Com. C Commercial Code of Ethiopia

FMCG: Fast Moving Consumer Goods

NBE: National Bank of Ethiopia

OECD: Organization for Economic Development and Cooperation

S.C.: Share Company

SPSS: Statistical Package for Social science

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# CHAPTER ONE

## INTRODUCTION

### 1.1. Background of the study

Cadbury defined corporate governance as ‘the direction, management and control of an organization’ (1992) It is concerned with the way businesses are run, with a focus on the interaction between shareholders and directors. Corporate governance examines how a business is managed to meet its goals. A firm should be run in the best interests of all its stakeholders, with a focus on the shareholders. Corporate governance is particularly concerned with safeguarding scattered shareholders against potential self-interested of directors and management.

The goal of corporate governance is to assist in the creation of a climate of trust, transparency, and accountability that will promote long-term investment, financial stability, and company integrity, resulting in greater growth and more inclusive societies. It was also defined as “the set of rules that governs the relationships between and the balances the interests among shareholders, directors, managers and employees.” Licht (2013)

According to Simpson & Taylor (2013) Corporate governance is primarily concerned with what a company's board of directors does, particularly how it establishes the company's values. It is distinct from full-time executives' day-to-day operational administration of the firm.

Corporate governance has grown in popularity in recent years, and its significance has been emphasized all around the world. Countries that have not yet controlled the use of corporate governance in their organizations have started to accept it. The fact that corporate governance underlies a company's operational structure is one reason for its worldwide popularity. Corporate governance is crucial for the integrity and efficiency of an organization.

Poor corporate governance limits a potential opportunity and can result in financial troubles and fraud. Companies with good governance outperform their competition and attract investors who can help fund future growth. After corporate scandals emerged in the 1990s due to lack of

adequate corporate governance guidelines the Organization for Economic Cooperation and Development published Principles of Corporate Governance in 1999. Since then, they've established themselves as a global standard for regulators, investors, businesses, and other stakeholders. The OECD included several new proposals as well as changes to existing ones. Members of the OECD and representatives from OECD and non-OECD countries participated in a consultation process. The principles urge Businesses should ensure that they have systems in place to handle any possible conflicts of interest and provide a framework for internal complaints regarding management or board appointments, according to the principles.

In Ethiopia's context The Commercial Code of 1960 incorporates provisions relevant to the governance of share companies however it does not adequately address corporate governance related matters as separation of roles nonexecutive directors' and CEOs' duties, board structure and independence, and director's compensation.

Financial organizations defined as "share companies" in Ethiopia's commercial code have other proclamations they must comply with in addition to the commercial code. For example, organizations in banking and insurance industry must comply with the Banking Business Proclamation No.592/2008 and the directives and procedures issued by the National Bank of Ethiopia (NBE), While other non-financial organizations must only comply to the 1960's commercial code of Ethiopia.

This project paper attempts to examine corporate governance's role in an organization's performance. as well as assess whether corporate governance practices and principles impact a Company's performance.

## **1.2. Company Background**

Unilever plc is a British multinational consumer goods company headquartered in London, United Kingdom. It was founded on September 2<sup>nd</sup>, 1929, by the merger of the British soap maker Lever Brothers and the Dutch margarine producer Margarine Unie. Since then, it has diversified its portfolio through acquisitions including Lipton and Ben & Jerry's and it is currently the second largest consumer goods company with more than 400 brands and employees 148,000 people across the world. Unilever's products are available in over 190 countries. The company's total turnover in 2021 was 52 billion euros with 58% being from emerging markets. Unilever is organized into three main divisions: Personal and Beauty care, Food and refreshment and home care categories. It owns some of the famous brands across these three categories like Lifebuoy, Dove, Omo, Sun Silk and Sunlight.

Unilever Manufacturing has entered the Ethiopian market in 2015 and it has quickly become one of Ethiopia's largest food, home, and personal care product providers. It already has a large network of Ethiopian suppliers, distributors, and dealers. After onshoring Soaps, Detergent Powders, and Bouillon, the firm continues to expand local production capacity in Ethiopia with the recent inaugurations of its haircare product line.

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

Corporate governance is a critical matter for the efficient operation and success of a business organization. It creates transparency and responsiveness to the rules and controls of the shareholders, directors, and Employees. Now days companies look ahead of profits and aim in creating good corporate citizens through environmental awareness, ethical behaviour, and sound corporate governance as good governance has a positive influence on a company's success and long-term existence.

In a highly competitive business environment, an effective corporate governance structure should promote sound internal control system, risk management, compliance with ethical and statutory requirements, ensures transparent and efficient markets, accountability, and trust in the management of organizations (ICAN, 2014; Aguilera & Jackson, 2003). Various methods of Corporate Governance have been explored in connection to the performance of businesses over

time. Different studies show that one among the various challenges the business world is facing currently is installing sound and proper corporate governance system in a corporation.

The occurrence of high-profile company failures in recent years because of a bad corporate governance culture inherent in companies that produce economic value has prompted the formation of corporate governance regulations and best practices. This improves managerial performance, builds investor trust, and avoids circumstances that detract from shareholder value, waste, and inefficiency.

Some regulations and research are in place to guide financial organizations into establishing corporate governance however significant studies have not been conducted in the FMCG sectors. The fast-moving consumer goods (FMCG) sector is one of the largest industries in the world and Unilever is one of the most well-known FMCG company in the world.

Hence, this project work will try to assess in detail the corporate governance practices of Unilever and identify the effect of its current corporate governance structure on its performance as well as examine corporate governance practices are being adhered to in-line with its exponential growth ambitions.

#### **1.4. Research Questions**

In addition to its main question, the research attempts to answer the following fundamental sub questions:

1. What are the Current corporate governance practices of Unilever?
2. What is the relationship between corporate governance and performance in Unilever?
3. What is the impact of commitment to corporate governance on Unilever's performance?

## **1.5. Objectives of the study**

### **1.5.1. General objective**

The main aim of this research is to evaluate and explore the role of corporate governance on the performance of an organization, in the case of Unilever.

### **1.5.2. Specific objectives**

- To examine the current corporate governance practices of Unilever.
- To assess the relationship between corporate governance and performance in Unilever.
- To evaluate the effect of commitment to corporate governance on the performance of Unilever.

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

This project paper will focus on the corporate governance practices on the organizational performance of Unilever. The findings of this project paper will contribute to having a deeper insight into Unilever's corporate governance practices and identify any shortcomings in governance policy of the organization. The result of this project will also contribute to Unilever future strategic growth plan by providing areas of development in corporate governance practices that has an impact in performance. This project will also demonstrate data on the role of corporate governance in performance managements of corporations operating in the Ethiopian markets. As well as the findings will provide as an input to other researchers and scholars in advancing the study of corporate governance and performance of an organization.

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

This project paper is limited to assessing the role of corporate governance on an organizations performance effectiveness by taking Unilever Ethiopia as a case study. The project reviewed evidence from the past two years to get an accurate picture of the impact of corporate governance practices on the performance of the company. This project intended to cover corporate

governance characteristics like transparency and disclosure, functioning and structure of the board against results of effective performance indicators.

### **1.8. Limitation of the study**

Due to the practices and concept of corporate governance being new to the Ethiopia business environment, this project paper was limited by the availability of sufficient empirical data as well lack of previous research works regarding the subject matter.

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

This project paper has five distinct chapters, the first chapter is comprising of an introduction to the study, background of the study, the problem statement, research objective and questions, scope of the study and the limitation of the study. The second chapter deals with the theoretical and empirical survey of relevant literatures. Chapter Three illustrates what research method and design was used as well as sampling population and data collection techniques. The collected data is analyzed using SPSS software and data is presented in tables consisting of frequency, std. deviation, correlation, and regression. The final Chapter lays out the conclusion and recommendation inferred from the analysis.

# **CHAPTER TWO**

## **LITERATURE REVIEW**

### **2.1. Definition and Concept of Corporate Governance**

Corporate governance has only lately gained traction in the business world; the concept "corporate governance" and its widespread use in the financial press is a relatively recent phenomenon. The ideas that underpin the creation of corporate governance and the domains it embraces, on the other hand, extend back considerably further and are derived from a wide range of disciplines, including finance, economics, accounting, law, management, and organizational behavior.

There have been many different definitions of corporate governance by many scholars, in simple terms corporate governance can be defined as the relationship among directors, management, and shareholders in determining the direction & performance of the corporation. Corporate governance refers to activities done by businesses to strengthen their relationships and interactions with a variety of stakeholders, including investors, employees, the government, consumers, and business partners.

According to Fernando (2009), Corporate governance entails doing everything possible to improve relations between companies and their shareholders, as well as the quality of outside directors, encouraging people to think in terms of long-term relationships, ensuring that all stakeholders' information needs are met, and ensuring that executive management is properly monitored in the interests of shareholders.

Corporate governance has also been defined by (Chenuos, Mohamed, and Bitok, 2014) how a corporation's authority is used to its whole portfolio of assets and resources with the goal of sustaining and expanding shareholder value while also satisfying other stakeholders in the context of its corporate assignment. Comprehensive corporate governance promotes the efficient use of resources while also holding management accountable for those resources.

Corporate governance is mainly a process of directing and governing a firm. The board of directors oversees the company's governance. The shareholders' role in governance is to appoint directors and auditors. Shareholders must also be satisfied that an effective governance system is in place. The board of directors is in charge of determining the company's strategic goals and providing the leadership necessary to achieve them.

Shleifer and Vishny (1997) define corporate governance by stating that it “deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment

John and Senbet (1998) propose the more comprehensive definition that states corporate governance is concerned with the processes through which shareholders of a firm exert control on corporate executives and management in order to safeguard their interests. They comprise not just shareholders, but also debtholders and non-financial stakeholders including workers, suppliers, consumers, and other interested people as stakeholders.

In summary corporate governance refers to activities done by businesses to strengthen their relationships and interactions with a variety of stakeholders, including investors, employees, the government, consumers, and business partners. Good corporate governance increases the likelihood of achieving business objectives and goals. Shareholders and other stakeholders in the firm should be concerned about good corporate governance

## **2.2. History and development of corporate governance**

While there is no definitive historical treatment of corporate governance given the vastness of the subject, the concept of corporate governance goes back to 1855 and the formation of east Indian company (Cheffins, 2012).

For the first time, in 1856, the limited corporation divided the responsibilities of ownership and control, necessitating the creation of corporate governance. Limited liability, along with ownership and control separation, increased the danger of financial irregularities caused by dishonest or inept managers.

In modern times the concept of corporate governance became entrenched in an organization's operation from mid-1970's to 1990's. After corporate scandals in 2000's that started with Enron, worldcom and Tyco involving issues of governance, corporate governance has been taken as a critical process for any organization to operate. While traditionally, corporate governance has focused on the issue of the separation between shareholder ownership and management control. However, as time has passed, we have come to recognize a larger framework of corporate governance, based on lessons learned from historical trends of corporate misbehavior and the effect of evolving societal aspirations. Employees, consumers, major institutional investors, government, and society as a whole are increasingly considered stakeholders, and enterprises are expected to adapt to their expectations.

### **2.3. Principles of Corporate governance**

According to (simpson and taylor, 2013) there are three main principles of corporate governance

The OECD principles of corporate governance which has principles focused on protecting shareholders right, ensuring organizations have strategic guidance to achieve their goals, effective supervising of the management team by the board and ensuring equitable treatment of all shareholders and promoting transparent consistent following of the rule of law.

While the good governance standards for public services lists the principles of good corporate governance as one that focuses on the organizational purpose by promoting values for the entire company. It also states taking calculated and managed risks and being transparent in all the decision-making process. Stakeholder engagement as well as accountability in performing effectively in clearly defined roles.

General principle of good governance states that organizations should develop capacity and effectiveness of the governing body. Engage with shareholders and stakeholders; be fair and unbiased; and defend people's rights. Set strategic goals and objectives that are ethical. make educated and honest decisions identify and manage risk So that accountability is effective, monitor performance and reveal everything. identify duties and responsibilities in accordance with the legislation.

A corporation must be accountable, transparent, ethical, and responsible in order to follow effective corporate governance. Being accountable is being responsible for the conduct or activities of another individual. To be transparent, a company must provide all relevant information in a complete, accurate, and timely manner. Underpinning these notions are ethical values, which implies that the company must focus on doing "what is right" and what is required of them from society against what is expected of them from an economic and legal standpoint.

## **2.4. Corporate Governance in Ethiopian context**

Unlike most share companies in the past, which were founded among founders, a number of firms are being formed by selling shares to the general public. The introduction of publicly traded firms in Ethiopia has raised several corporate governance challenges. In most cases, ownership is transferred from dispersed shareholders to a small group of management. As a result, robust corporate governance rules and structures are required in Ethiopia to address agency issues that may arise between dispersed shareholders, management, and/or block holders of share corporations.

In 1993 the first Ethiopian Company law was introduced, and it had delivered significant contribution for the development. In Ethiopia's Commercial Code, publicly held corporations are referred to as "share companies." Even though all enterprises (including financial institutions) must follow the laws of the Commercial Code in order to function in the nation, financial institutions are subject to extra proclamations and subsidiary directives. <sup>57</sup> As a result, share firms operating in banking must follow the Banking Business Proclamation No.592/2008 as well as the National Bank of Ethiopia's regulations and procedures (NBE). (Tura,2012).

## **2.5. Corporate governance features and Board composition and structure**

### **2.5.1. Board Composition**

The makeup of the board refers to the number and variety of directors who participate in its operations. The presence of non-executive directors on the board enables effective oversight of the company's management operations, which improves firm performance, according to prior

research on the influence of board composition on business performance. (Heenetigala & Armstrong, 2007).

A corporation may have full-time directors who are responsible for the company's day-to-day operations, as well as part-time non-executive directors who are not involved in the company's day-to-day operations. Effective corporate boards should be made up of outside independent directors. At two levels, the caliber of board members is crucial: to keep management accountable and to respond to external actors and concerns of external responsibility.

### **2.5.2. Board Size**

Board Size should represent the institution's character and goal; size and successful functioning are significantly associated; should have an odd number of members to avoid deadlocks while voting. According to (Lawal, 2012), the size of a board determines the quality of debate among members and the board's capacity to make the best business choice.

A board's effectiveness is negatively impacted by either a little or a huge size. This study supports the idea that poor communication and poor decision-making undermine the effectiveness of bigger boards. Furthermore, the statistics show that large organizations have the largest negative correlation between board size and company success (Adam and Mehran, 2002). As a result, for corporate governance to work at its optimum, choosing the right board size is essential. On the other hand, there are conflicting findings in the literature about the effect of board size on corporate success.

### **2.5.3. Qualification of the board**

For the board to execute its operations effectively the directors' abilities and attributes should be as follows: The directors should be thought and demonstrate a dedication to the institution's mandate of financial stability and social performance, also the directors should have a capacity, and willingness to execute their Duties of Care. Directors should have the abilities and expertise to contribute to the Board of Directors' job so as to achieve strong corporate governance, the board should also have the following human characteristics: high leadership qualities, accountability, integrity, maturity, and a good work ethic.

#### **2.5.4. Meeting Frequency of Board**

indicates how much time the board has spent over the course of a year. The board of directors must meet on a frequent basis in order to effectively execute its oversight job and monitor management performance. The frequency of board meetings is used to assess the strength and efficacy of corporate monitoring and discharging.

#### **2.5.5 Transparency and Disclosure**

Information regarding the company's activities and situations that may affect its share price should be disclosed in a timely and sufficient manner. Information on the company's corporate strategy, key business activities, business ethics, and policies respecting other stakeholders must be made available to the public. According to (Millian,2012) transparency and disclosure should include the background of directors and supervisory board members, the guidelines for the evaluation of their performance and the establishment of their remuneration, the risk management guidelines. Furthermore, the board has an obligation to act in the company's and shareholders' best interests. In addition, boards are obliged to consider and treat properly the interests of other stakeholders, including as workers, creditors, consumers, suppliers, and local communities

According to OECD principles, Disclosure must include material information on the financial and operating results of the company as stated “..such statements of financial position and statement of comprehensive income and expense report and cash flow..”, the remuneration policy for members the board and key executives, and information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board.

### **2.6. Theoretical framework**

There are several theories of corporate governance that have addressed the challenges of business and company governance at various times. Corporate Governance refers to the process of making choices and putting those decisions into action in big organizations. There are several ideas that define the interaction between various stakeholders in a business when the firm is operating.

The corporate governance structure should ensure that all important information about the firm is disclosed in a timely and correct manner, including financial, performance, situation, ownership, and governance. It has also been claimed that a lack of openness as a result of inadequate disclosure allowed severe issues in the financial and business sectors to develop.

### **2.6.1. Agency theory**

Agency theory defines the relation between the connection between principals (such as firm shareholders) and agents (such as directors of company). According to this theory, the company's owners engage the agents to do the work. The principals assign business management to the directors or managers, who are shareholders' agents. The shareholders expect the agents to act and make decisions in the best interest of principal (Jensen & Meckling 1976). The main concept of agency theory is separation of ownership and control. The theory proposes that employees are held accountable in their tasks and responsibilities. Rewards and Punishments can be used to control the priorities of agents. Agency theory claims that in a corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns (Berle and Means 1932; Pratt and Zeckhauser 1985).

According to this theory problems arise in an organization due to top management are not willing to accept responsibilities for their decisions unless they own significant amount of stock in the firm. The misalignment of agents & principals' interests leads to managers pursuing strategies that are not in the best interests of the stockholders.

### **2.6.2. Stewardship Theory**

Senior managers are considered as the stewards of the company's assets and will be inclined to act in the best interests of the shareholders. (Millian, 2013). The steward theory states that a steward protects and maximizes shareholders wealth through firm Performance. Stewards are corporate leaders and managers who work for the benefit of the shareholders by protecting and increasing earnings. When organizational achievement is attained stewards (manager) are satisfied and motivated. Insiders (senior executives) tend to identify with the company and its success because of their lengthy stay with It (Donaldson & Davis 1991). According to

stewardship theory senior managers are ‘stewards’ whose motives are in line with the objectives of the company owners. Directors consider the stakeholders of the firm before the shareholders.

(Fernando, Muraleedharan & Satheesh, 2013) summarized the fundamentals of stewardship theory as below:

- The theory describes instances in which managers are stewards whose incentives are linked with their principles' goals, rather than being driven by personal interests.
- A steward's behavior will not deviate from the interests of his or her organization if given the choice between self-serving and pro-organizational behavior.
- Control can be detrimental because it undermines the steward's pro-organizational behavior by diminishing his or her drive.

### **2.6.3. Stakeholders’ theory**

Stakeholder theory encompasses management's accountability to a broad variety of stakeholders. It argues that executives in corporations are responsible for a network of stakeholders, which includes suppliers, workers, and business partners. This theory emphasizes on management decision-making, and ensuring all stakeholders' interests are considered equally, with no one group of interests thought to be more significant than the others. The board has broader responsibilities like focus is on protecting key stakeholder rights, Shareholders, Employees, Vendors, Customers and Society as a whole.

Rather than focusing on shareholders, stakeholder theory considers a larger set of stakeholders. When a larger stakeholder group—such as workers, credit providers, consumers, suppliers, government, and the local community—is considered, the overarching focus on shareholder profit becomes less obvious. (Miller, 2013).

Traditional stakeholder theory claims that managers should take care of the interests of all stakeholders in a corporation, but because theorists fail to describe how trade-offs against the interests of each of these stakeholder groups may be made, there are no clear quantifiable objectives, leaving managers unaccountable for their actions, according to Hill and Jones (2001).

#### **2.6.4. Resource Dependency theory**

The Resource Dependency Theory examines the function of board directors in ensuring that the company has access to the resources it requires. It argues that via their connections to the outside world, directors play a crucial role in delivering or acquiring essential resources to a company. The availability of resources improves organizational effectiveness, as well as the company's survival.

Resource dependency theory views the board of directors as 'the lynch pin between a company and the resources it needs to achieve its objectives' (Tricker, 2009, 2012).

The resource dependence theory focuses on the function of board directors in providing access to critical resources needed for an organization through their links to the external environment, whereas the stakeholder theory focuses on interactions with numerous groups for individual advantages. The appointment of representatives of independent organizations as a way of acquiring access to resources crucial to company success is emphasized by resource dependence theorists. directors contribute resources to the company, such as information, expertise, access to important constituents such as suppliers, purchasers, public policymakers, social groups, and legitimacy, which improves organizational functioning, performance, and survival. (Fernando, Muraleedharan & Satheesh, 2013).

#### **2.6.5. Transaction Cost Theory**

According to transaction cost theory, a corporation has several contracts, either inside the company or with the market, through which it generates value. Each contract with an external entity has a fee attached to it, known as transaction cost. If the cost of using the market is higher, the corporation will carry out the transaction internally.

A company's structure and organization can influence pricing and output. The transaction is the unit of analysis in this theory. As a result, the mix of people and transactions implies that transaction costs. Managers are opportunists who arrange deals in their businesses to benefit themselves. It implies that people are selfish and opportunistic by nature, and that they will take advantage of the system if they can (Fernando, Muraleedharan & Satheesh, 2013).

### **2.6.6. Performance**

Corporations are mainly concerned on making sure that the overall strategic initiatives are met and interested in making sure the organization lives up to the expectations of the customers, the employees, the local community, and the public and to ensure this performance must be measured and corrective action taken to meet strategic objectives. Greater financial performance or the maximizing of wealth for stakeholders are the ultimate objectives of a business organization.

Measuring performance is an important part of monitoring the growth and progress of corporations. It involves measuring the actual performance of a business against intended goals. Regularly checking business performance and protect our business against any financial or organizational problems. It helps businesses in lowering process cost and improving productivity and mission effectiveness.

Performance measurement is a key step in achieving strategic alignment in a corporate. What an organization chooses to measure will greatly impact the success or failure of the organization. While what we measure might differ from function to function, we need to compile the results and share them with stakeholders and partners. It also prevents functions from working toward different performance and result indicators that may be counterproductive to one another.

The capacity of an organization to achieve its objectives and maximize results is known as organizational performance. Organizational performance in the modern workforce may be summed up as a company's capacity to reach objectives in the face of ongoing change. When compared to the expected outputs, an organization's actual output or outcomes are considered to be performing well (Katou and Budhwar, 2007).

An organizations performance informs about the relation between, effective operation cost and realized output (efficiency) or between output and achieved outcome (effectiveness). Efficiency is defined as an organization's ability to hire human resource to carry out crucial activities in a cost-effective. When resources are used well in comparison to rivals, the cost of the operation decreases while there will be an increase in profit margin. Efficiency is crucial when a company's competitive strategy involves offering its goods and services at cheaper prices than its rivals.

Human resource relations are characterized by employee collaboration, collective identity, organizational commitment, and trust (Joseph and Dai, 2009). Most businesses evaluate their performance in relation to how well they accomplish their mission, purpose, or goals. For instance, the majority of public organizations seek to connect the outcomes of their specific programs to better the lives of a target population with the greater concept of organizational performance (Katou and Budwar, 2007).

Finally, an organization has to be both financially sustainable and pertinent to its stakeholders and its evolving needs in order to persist over time. These four performance factors are the primary elements of organizational performance according to the organizational performance framework. Organizations operate in specific external contexts or surroundings that either support or constrain how well they execute. The organization's operations are influenced by important elements of the policy or regulatory environment as well as the economic, political, sociocultural, environmental, and technical surroundings (Kaplan and Norton, 1993).

## **2.7. Empirical Study**

A number of studies have been conducted on the effect of corporate governance on organizational performance.

While reviewing published research on company law and how they cover corporate governance Negash (2008), observed how the Commercial Code of 1960 does not provide an effective legislative solution to today's complex governance concerns, and the new draft corporation legislation has not yet been finalized. Another study conducted by the Addis Ababa and Ethiopia Chambers of Commerce and Sectoral Associations on corporate governance in Ethiopia recommends the establishment of a voluntary code of corporate governance and recommends that corporate governance law reform should take into consideration the growing sector of shareholder companies.

Solomon (2018) used four insurance businesses as a case study and evaluated corporate governance practices in Ethiopian insurance companies. The study's aim was to examine the extent of corporate governance practice in the insurance industry in Ethiopia in accordance with OECD guidelines and commercial bank directives. The board of directors, shareholders, executive directors, supervisory organ, and disclosure were some of the components that the researcher employed as a primary evaluation. According to the evaluation, Ethiopia's outstanding regulatory structure gives insurance companies there a solid platform for effective corporate governance. However, the authors do not think that this is the only factor because there may be others, such as the fact that there are not many insurance firms.

Kassim, et al (2013) conducted an assessment of the mediating function of capital structure decisions in Malaysia, board effectiveness and firm success. A questionnaire survey and annual reports of publicly traded firms and used in the study. The researcher used four independent variables in this study: the performance of independent directors, the board's management of risk, the CEO performance assessment, and the directors' access to information.

Yenesew (2012) conducted a study named "The Impact of Corporate Governance Mechanisms on Firm's Financial Performance: Evidence from Commercial Banks in Ethiopia" has also been done. Eight commercial banks' five-year worth of data was examined. On three financial

performance metrics, the impact of corporate governance practices including board size, gender diversity, educational background, business managerial skills, and audit committee size was examined. The regression findings indicated that a big board size and an audit committee had a detrimental impact on financial performance, but that a smaller board has a positive impact.

Fekadu Petros (2010) highlights the expanding gap between ownership and control in Ethiopia and provides some relevant empirical facts. He demonstrates the Commercial Code's shortcomings in defending the interests of minority shareholders in the context of publicly traded corporations by drawing on statistics and literature on corporate governance. He brings up important points like, "What authority does the board have? Who is responsible for it? How is it set up? What are its liability standards?"

Matama (2012) did research to assess how corporate governance affected the financial performance of a few chosen commercial banks in Uganda. The results showed that corporate governance affected how well those banks' finances performed overall. From his research, he demonstrated that it was clear that trust had a substantial influence on financial performance, given that commercial banks are more trustworthy when there is openness and disclosure.

Ojok (2012) examined the effect of corporate governance on organizational performance in selected non-governmental organizations. He determined that board composition, financial responsibility, and transparency were important drivers of organizational effectiveness. According to the results, NGO performance was improved by their transparency in providing information that is factual, accurate, and non-selective. In a similar vein, assessment, stakeholder involvement, and financial compliance improved NGO performance. On the other hand, the board's competency, independence, and composition improved financial judgment, which in turn improved NGO performance. According to the studies that have been done, there appears to be little research on the relationship between corporate governance and organizational performance.

## 2.8. Conceptual Framework

A Conceptual framework is developed based on this project paper's objective of assessing the role of corporate governance on organizational performance after review of applicable literature review. The dependent variable for this project paper is effective performance of the organization selected while the independent variables are commitment to corporate governance, the functioning of the board and Transparency and Disclosure.

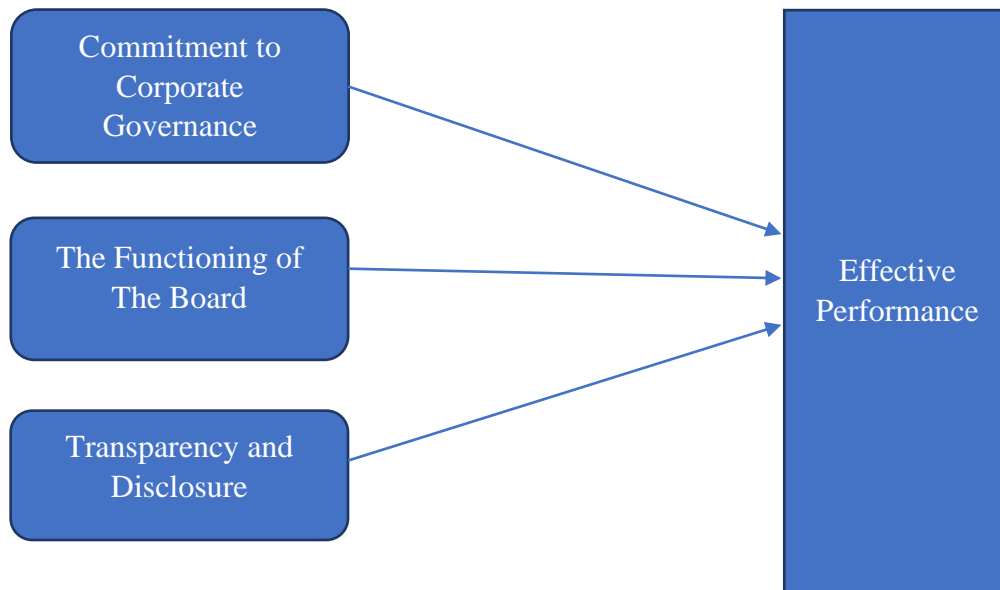


Figure 1: Conceptual framework.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Approach**

The main objective of this project paper is to test the probable correlation between the role of corporate governance on an organization's performance and a survey research methodology was used in this study, which utilized along with a descriptive approach and the collection and analysis of quantitative data. To analyze the quantitative data needed to examine the research objectives a questionnaire was used. In addition, SPSS software was applied in testing the hypothesis and the directional relationship between the independent variable and performance of the company.

#### **3.2. Research design**

This project paper will be a combination of exploratory and descriptive study types. The descriptive part of this paper will explore the directional relationship between corporate governance characteristics and organizational performance. In this respect, a cross-sectional study will be conducted, using quantitative research methods in a descriptive manner. The researcher uses questionnaires and interview data from respondents to examine and provide an understanding on some elements of the role of corporate governance on an organization's performance. While the exploratory part examines and assesses the core corporate governance principles in place and practiced in Unilever as a case study for this project.

#### **3.3. Sources of Data**

Data was collected based on suitable techniques to generate both quantitative and qualitative data from primary and secondary sources. The project paper was conducted using primary data sources, the term primary data refers to information that has been collected firsthand and thus unique. While Secondary sources of data are those that have previously been collected and analyzed by someone else (Ohtari, 2004). Primary data was gathered from the participants based

on a structurally designed questionnaire. It includes closed ended questions. Unilever Ethiopia employees were surveyed using a systematic questionnaire with all factors, research questions, and hypotheses to gather quantitative data.

Secondary sources were used to collect quantitative data, such as reports on studies pertaining to the research topic, organizational documents such as strategic and operational plans, commitment to corporate governance, board structure and functioning, transparency, and disclosure, internal Unilever governance manuals, financial statements, and other documents from official website.

### 3.4. **Sampling Design and population of the study**

The target population of this project paper were the 300 employees of Unilever Ethiopia. the study was focused in both the headquarters office at Addis Ababa and Production factory in Dukem.

### 3.5. **Sample size determination**

In order to determine the appropriate Sample size for this project paper, the researcher used

The sample size was calculated using infinite population sampling formula shown below.

$$n_o = \frac{Z_2 P q}{e^2}$$

Where  $n_o$ - sample size

Z- value at specified confidence level

P- Degree of variability

q- = 1-P

e- desired level of precision

to determine Z value first confidence level must be determined, the confidence level refers to the percentage of probability, or certainty that the confidence interval would contain the true population parameter when you draw a random sample many times.so assuming 90% confidence

level the Z value will be 1.44 as seen from a standard table. P is assumed as 0.5 Since the researcher did not know the range of variation in proportion of area under normal curve for the total population size. While e is taken as 0.1 since +/-10% is the desired level of precision for a small total population.

Table 3: Z-score constant table

Confidence level	z-score
80%	1.28
85%	1.44
90%	1.65
95%	1.96
99%	2.58

$$n_o = \frac{Z_2 P q}{e^2} = \frac{(1.65)^2 (0.5) (1-0.5)}{(0.1)^2} = 68.01 \approx 68 \text{ respondents}$$

### 3.6. Sampling Technique

Probabilistic Stratified Sampling was used to choose a representative sample of senior managers, Functional directors, team managers, both shareholders and non-shareholders, independent, audit committee members, and other stakeholders. according to the magnitude of the staff members' positions across all their positional qualities. The study population consists of all 300 Unilever Ethiopia's employees.

### **3.7. Methods of data analysis and presentation**

The analysis and presentation of the results, which were gathered from the above mentioned primary and secondary sources, were carried out using the proper methodologies by the researcher. The completed questionnaires were examined for validity once the data collection was complete, in order to identify the legitimate replies that qualified for analysis.

SPSS (statistical programming) was used to code the variables and questions that were picked. Descriptive statistics was used in the data analysis, to create the final demographic report, central tendency metrics were applied (frequency and frequency distribution, valid & cumulative percentage and comparison of mean). Additionally, tabular interpretations of the results were provided using SPSS.

In general, simple descriptive statistics, such as tables and charts on frequency distributions, averages, and cross-tabulations, were used for the analysis and interpretation. Advanced statistical analysis was also used, including correlations and regression analysis like ANOVA tests. This aided in establishing the direction and intensity of the association between the variables. The hypothesis was examined to either accept or reject based on the importance of the link between the dependent and independent variables.

The results of document review were then used to support the analysis and interpretation of the survey data. The results of the secondary document review were utilized to confirm or validate the survey results in this aspect.

### **3.8. Reliability and Validity**

The general constancy of a metric is its reliability. It is a feature of a group of test results that has to do with how much random error from the measuring procedure could be included in the result. For this study, the widely used Cronbach's Alpha was used to measure internal reliability for tests with multiple possible answers, The Cronbach's coefficient alpha is a commonly used test for inter-item consistency dependability. Although there is no set scale for Cronbach's alpha, the closer it is to 1, the better. Prior studies have used minimal Cronbach's alpha scores between 0.4

and 0.9. (George & Mallery, 2003; Gregory,1999). The Likert scale of 1= strongly disagree to 5= Strongly Agree was used to test all variable.

If high-quality questioner was used in the investigation, the research findings will be solid scientifically. All reasonable efforts will be taken to ensure that the data collection instruments are understandable by the respondents in order to maximize the dependability of the final findings.

### 3.9. **Ethical Consideration**

The researcher took ethical responsibilities into account when they were designing this study. Prior to distributing the questionnaire and maintaining respondents' anonymity, the consent of each respondent was taken into account. The researcher further assured the respondent that the study's conclusions and the usage of the data were exclusively intended for academic purposes. The researcher maintained the information she collected in complete confidence, and the research's conclusions were provided in their entirety.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

#### 4.1. Introduction

This chapter contains detailed analysis and interpretation of the findings based on data collected from respondents on the role of corporate governance on organizational performance.

The response rate, sometimes referred to as the completion rate, is the percentage of survey respondents who complete the form relative to the total number of respondents (Leroy, 2012). 68 surveys were returned out of 68 issued surveys. With response rate of 100%. This indicates that the 68 people who got questionnaires all returned accurately and completely.

#### 4.2. General information and demographic of the respondents

The next sections reviewed the respondents' demographic characteristics, including gender, age group, education levels, total years of experience/service year, responsibility and/or position. Mainly frequency tables were used to show the data's descriptive statistics.

##### Gender

The first query in the survey was for respondents to answer which gender they belonged to. The table below shows the gender demographic information of the respondents. Out of the 68 respondents, 28 (41.2%) were female and 40 (58.8%) were male respondents.

Table 4.1: Gender composition of respondents

Gender	Frequency	Percentage	Cumulative Percent
Male	40	58.8	100
Female	28	41.2	41.2
Total	68	100	

### Age of the respondents

The frequency table below shows, the age of the respondents in the first group 18-29 years are 40 of 68 and 58.8%. Respondents of the second age group 30-45 years were 25 and 25% of the total population. Respondents over the age of 46 years compromised the last age group with 3, and 4.4 % of the total population. This analysis suggests that the Majority of those respondents are within the age group 18-29 years.

Table 4.2: Age composition of respondents.

Age Group	Frequency	Percentage	Cumulative Percent
18-29 Years	40	58.8	58.8
30-45 Years	25	36.8	95.6
≥ 46 Years	3	4.4	100
Total	68	100	

### Education level

Regarding the education level of the respondents, the below table shows the distribution of the respondent's education level based on four categories. 86.8% of the respondents possess a first degree (B.A, BSc.) and 13.2% of the respondents had an education level of post-graduates' degree.

Table 4.3 Education level of the respondents.

Education Level	Frequency	Percentage	Cumulative Percent
Diploma	-	-	
Bachelor's Degree	59	86.8	86.8
Post-Graduate degree	9	13.2	100
Certification/Others	-	-	
Total	68	100	

### Work Experience and Work level

The below table shows the work experience and work level.

Table 4.4 Work experience and level of the respondents.

Level of work experience	Frequency	Percentage	Cumulative Percent
<1 Year	11	16.2	16.2
1-3 Years	44	64.7	80.9
4-6 Years	13	19.1	100
7-10 years	-	-	-
Above 10 years	-	-	-
Total	68	100	
Work Level	Frequency	Percentage	
Top Management	4	5.9	5.9
Middle Management	20	29.4	35.3
Officer/Analyst	44	64.7	100
Total	68	100	

Regarding the respondents work experience as shown in the table above 4.4 the majority of the respondents had 1-3 years of working experience with 64.7% whereas, 19.1% of the respondents had 4-6 years of working experience, the remaining group less than one year constituted 16.2% of the total population.

Following is a summary of the respondents' years of experience: 44 respondents (64.7%) were officer/Analysts, 4 respondents (5.9%) were in top management, and the remaining 20 respondents (29.4%) were middle management of the firm.

### **4.3. Analysis of Major findings**

This section gives a description of the results of questioner used test role of corporate governance on performance of the company. An itemized rating scale is used by the researcher to create a range. Perceptions of respondents toward each variable were gauged using this range. On a likert scale that varied from strongly agree to strongly disagree, respondents were asked to indicate how much they agreed or disagreed with the question on corporate governance practices and difficulties in this area. In light of this, analysis utilizing the mean and standard deviation was done for all question types that were given to the respondents.

#### **4.3.1. Commitment to Corporate Governance**

This section describes research objective one, which was evaluated using a range of questions to see if the firm and its shareholders have shown a commitment to putting high-quality Corporate Governance procedures, policies, and Practices into practice.

**1- Strongly Disagree (SD), 2 Disagree (D), 3 Neutral (N), 4-Agree (A), 5- Strongly Agree (SA),**

The information represented on table 4.5 shows that the general mean for the discernment is 3.55 demonstrating that greater part of the respondents leans towards agreeing that the firm and its shareholders have shown a commitment to putting high-quality Corporate Governance Procedures, Policies, and Practices into practice. From the 21 statements, the respondents lean towards agreement on 14 of the statements (66.6%) while the responds on the remaining 7 statements (33.3%) lean towards neutral.

Table 4.5 Commitment to corporate governance

<b>A. Commitment to corporate governance</b>	<b>Mean</b>	<b>Std. Deviation</b>
Company has designated officer to ensure the compliance committee or other appropriate subcommittee of the Board.	3.63	0.991
The Corporate governance code or manual specify the major stakeholders, whose interests must be considered.	3.66	0.924
There is an identified officer of the company tasked with the responsibility of ensuring that the company follows their own corporate governance policy or manual	3.89	1.123
The Corporate Governance policy or manual is easily available and familiarized to personnel and staff of the company?	3.8	0.961
The Corporate governance issues are discussed in the Annual report of the company.	3.78	1.005
The company has a written corporate governance policy or manual that deals comprehensively with corporate governance issue.	3.65	1.033
There is stakeholder participation during accountability	3.99	0.885
The degree of participation during the accountability process leads to Compliance	3.63	1.105
Management provides adequate information when making accountability	3.88	1.044
Management adheres to accountability procedures set by law	3.44	1.098
The accountability process is used as a means of assessing resource	3.41	1.054
The management of Unilever is committed to the accountability process	3.66	0.956

In Unilever Ethiopia, there is resource monitoring	3.79	1.045
Significant departures from accountability set targets are reported	3.85	1.040
Management provides active role and follow up for tracking variances and backlash	3.75	1.084
There is a clear methodology of tracking accountability	3.54	1.057
There are well set internal controls practices to check the accountability process	3.72	1.256
Independent financial reviews are carried out at the company	3.71	1.120
The Company adheres to set FMCG sector policies, rules and regulations	3.10	0.979
There are effective internal controls used to monitor the operations of Unilever Ethiopia.	3.12	1.127
Staff are aware of the policies, laws and regulations	3.84	1.016

#### 4.3.2. The functioning of the board

This segment of the survey assessed the functioning of the board. The information represented on table 4.6 shows that respondents have strong degree of agreement with the functioning of the board, with a general mean score of 3.42. From the 12 statements, the respondents lean towards agreement on 7 of the statements (58.3%) while they lean towards neutral on 3 statements (25%) and are neutral on the remaining 2 statements (16%).

Table 4.6 Functioning of the board

<b>B. Functioning of The Board</b>	<b>Mean</b>	<b>Std. Deviation</b>
I demonstrate self-confidence by getting involved in decision making	3.691	0.950
Board members possess the required knowledge and skills required to perform their roles	3.706	0.963

Board members provides mutual support and monitor the operations of the company	3.529	1.014
Board members have the capability of assessing monetary and financial documents	3.485	0.938
Board members have the capacity to develop policies and procedures	3.368	0.976
The management committee of Unilever Ethiopia is competent to handle the operations of the company	3.809	1.123
The board has the mandate to carry out resource allocation	3.838	1.087
The board takes decisions independently	3.618	1.159
The board of is autonomous	2.985	1.072
The board decides on the internal control system to be instituted at the company	2.235	0.979
The company publishes meaningful quarterly reports, containing segment reporting as well as results per share, consistent with international accounting standard.	3.676	1.112
There is a Code of Ethics for the entire Company operation	3.847	1.110

### 4.3.3. Transparency and Disclosure

This segment of the survey assessed the functioning of the board. The information represented on table 4.6 shows that respondents have strong degree of agreement with the functioning of the board, with a general mean score of 3.42. From the 12 statements, the respondents lean towards agreement on 7 of the statements (58.3%) while they lean towards neutral on 3 statements (25%) and are neutral on the remaining 2 statements (16%).

Table 4.7 Transparency and Disclosure

<b>C. Transparency and Disclosure</b>	<b>Mean</b>	<b>Std. Deviation</b>
An internationally recognized accounting and auditing system is in place.	3.81	0.996
The company publishes all public information.	3.78	1.091

There is no falsification of information at the company	3.46	0.953
All relevant documents/reports/statements of the company are available for access	3.29	0.963
The information provided to the public is complete	3.44	0.853
Dissemination of company information is done in a timely manner	3.53	0.985
The company regularly undergoes an audit process to verify its performance	3.31	1.249
The audit is performed by a recognized national/international firm.	3.40	1.306
The Annual Report discusses the company's risk management system.	2.25	1.042
The company's annual financial statement is published no later than 3 Months.	3.24	1.038
Conflicts of interest are fully revealed through a clear and well-established mechanism, approved by the regulatory authorities	3.16	1.002
The company responds to audit queries raised by statutory bodies	3.06	1.131
The information disclosed by the company is a reflection of its performance	2.96	1.227

#### 4.3.4. Effective Performance

The statements on Effective Performance represented on table 4.8 shows that they were agreed by most of respondents making the overall mean 3.68. The responds on all 9 statements suggests that majority of respondents lean towards agreeable degree of agreement with the study's assertions.

Table 4.8 Organization's Performance

<b>Organizational Performance</b>	<b>Mean</b>	<b>Std. Deviation</b>
The company is highly productive.	3.87	0.862
The company is one of the fastest growing FMCG company in the country	3.94	1.049

The company's sales volumes have been growing for the last 2 years	3.66	0.857
The company's sales turnover has grown	3.66	1.016
The company's return on investment has been growing over the years	3.51	1.000
The asset base of the company has grown	3.62	0.978
The company's customer base has grown over the years	3.69	1.026
The profit margins of the company have growth	3.57	1.111
At the company, the total costs of operation have continued to reduce	3.62	0.962

**4.4. Correlation Analysis**

Perhaps the simplest and most practical way to quantify the link between two or more variables is through correlation (Marczyk, Dematteo and Festinger, 2005). The correlation analysis, which examines the strength of correlations between the researched variables, is used in this study. The relationships between commitment to corporate governance, functioning of the board and Transparency and disclosure and effective performance were investigated using one of the frequently used Pearson's correlation tests. This section contains the Pearson Correlation analysis's findings. Correlation analysis reveals the strength and direction of the association between the dependent variable and the independent variables, but it does not reveal a causal relationship. The below analysis is used to test the relationship between corporate governance practices on performance of an organization. To determine if there is a strong or weak link between the variables, the correlation coefficient (r) was analyzed. The two variables are said to be tightly connected if the correlation coefficient (r) is closer to -1 or +1. In contrast, if r is near to 0, it denotes a poor correlation between the two variables (Coakes, 2005). if it is between (1, 0.3) the correlation is positive, and if the result is between (-1, -0.3) it means that the correlation of the variables is negative, and if the result is between (-0.3, 0.3) no correlation between variables.

Table 4.8 below indicates that the correlation coefficients for the relationships between independent variables (Commitment to corporate governance, Functioning of the board, Transparency and Disclosure) and dependent variable (Performance).

Table 4.9 Correlation Analysis

		<b>Performance</b>
Commitment to Corporate Governance	Pearson Correlation	.853**
	Sig. (2-tailed)	.000
	N	68
The Functioning of The Board	Pearson Correlation	.898**
	Sig. (2-tailed)	.000
	N	68
Transparency and Disclosure	Pearson Correlation	.898**
	Sig. (2-tailed)	.000
	N	68
Performance	Pearson Correlation	1
	Sig. (2-tailed)	
	N	88

The above analysis shows the relationship between the independent and dependent variable is significant and positive correlation. Both variables that functioning of the board and Transparency and Disclosure are highly and significantly related with effective performance ( $r=0.898$ , with  $p < 0.01$ ). Significant relationship was also shown for commitment to Corporate Governance ( $r=0.853$ , with  $p < 0.01$ ).

The correlation coefficient between commitment to corporate governance and effective performance, which was positive with a probability value ( $p = 0.000$ ) less than the threshold of significance of  $= 0.01$  and showed a positive link at the 2% level of significance. This implied

that in order for the company to improve actual performance a greater commitment to corporate governance practices is required.

At the 1% level of significance, Pearson's Correlation Coefficient for Transparency and Disclosure and Performance was  $r = 0.898$ , which indicated a positive link. The probability value ( $p = 0.000$ ), which is less significant than  $\text{Beta} = 0.01$  level of significance, was also positive. This showed that the company needed greater Transparency and Disclosure to improve Corporate Governance and have a beneficial impact on the Effective performance of the Company.

#### **4.5. Multiple Regression Analysis**

Regression analysis was studied to determine the degree to which the independent variable explains the dependent variable. It is also used to determine the degree to which the independent factors (corporate governance commitment, the functioning of the board, transparency, and disclosure) have a direct impact on the dependent variables of organizational performance. The strength with which an independent variable impacts the dependent variable is gauged by the beta value. A higher the beta value would mean the independent variable has a larger impact on the dependent variable.

Table 4.10 Beta coefficient of the variable

Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
	B	Std. Error			
1 (Constant)	-0.08	.011		-.731	.468
Commitment to Corporate Governance	.115	.013	.109	8.539	.000
Functioning of the board	.259	.078	.259	3.338	.001
Transparency and Disclosure	.631	.075	.637	8.365	.000

A change of one standard deviation in the independent variable would result in a change of one or more standard deviations in the dependent variable, according to the coefficient (Beta, B) value. As a result, a change in one standard deviation in Transparency and Disclosure caused a change in standard deviations on the performance of the organization by 63.70% (p0.01). Because the influence of the predictor variable on the criterion variable is larger the higher the beta value. As a result, a change in one standard deviation in Transparency and Disclosure caused a change in standard deviations on the performance of the organization of 63.70% (p0.01). The performance of the organization changes by 25.9% (p=0.01) when the structure and operation of the board are altered by 1 standard deviation. Additionally, a shift of 1 standard deviation in the organization's commitment to corporate governance affects performance by 10.9% (p 0.01) as well. In accordance with above table, adherence to corporate governance, board composition and operation, and openness and disclosure. The regression model was substantial, making it trustworthy for drawing inferences and giving guidance. Transparency and disclosure (Beta= 0.637, t= 8.365, Sig. =.000), the functioning of the board (Beta= 0.259, t= 3.338, Sig. =.001), and dedication to corporate governance (Beta= 0. 109, t=8.539, Sig. = 0.000) were the most significant predictors of effective performance. The results showed that major

determinants of organizational effectiveness included adherence to corporate governance, board structure and function, transparency, and disclosure.

Table 4.11 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.899 <sup>a</sup>	.998	.998	.01842

a. Predictors: (Constant), TD, CG, SF

Table 4.12 ANOVA

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sign.
1	<b>Regression</b>	18.680	3	6.227	18345.69	.000 <sup>b</sup>
	<b>Residual</b>	.029	84	.000		
	<b>Total</b>	18.709	87			

a. Dependent Variable: EP b. Predictors: (Constant), TD, CG, SF According to Table 4.12, 18.42% of organizational performance is predicted by commitment to corporate governance, board structure and function, and transparency and disclosure (adjusted R square =.998). The regression model was significant, making it trustworthy for drawing inferences and giving advice.

### Hypothesis Testing

According to the research method, the Pearson Correlation Coefficient is used to test the hypotheses. There are three hypothesis that aim to see if there is relationship between the three independent variables (Commitment to corporate governance, functioning of the board, Transparency and Disclosure) and an organizations performance.

H1: Commitment to corporate governance is among the factors that has significant impact on effective performance of Unilever Ethiopia, is Accepted.

H2: Functioning of the board is among the most contributing factors to effective performance of Unilever Ethiopia is Accepted.

H3: Transparency and Disclosure is among the factors that has significant impact on effective performance of Unilever Ethiopia, is Accepted.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

The objective of this chapter is to summarize and draw conclusions on the findings and the implication of corporate governance on effective performance of a firm. Therefore, the presentation of the findings in chapter four and the interpretations made from the analysis are provided in this chapter. The research findings, a set of suggestions, the study's limitations, and potential areas for further investigation are briefly summarized in this chapter.

#### **5.1. Summary of major findings**

In particular, the study examined the effects of corporate governance commitment, functioning of the board, and transparency and disclosure on effective performance at Unilever Ethiopia. This was done by breaking down the corporate governance factor components and then connecting them to successful performance. Data was gathered using a structured questionnaire. SPSS version 23 was used to analyze the data and present the findings in frequency tabulations, correlation charts, and regression analyses. According to the results of the demographic characteristics, men made up most of the respondents. The majority of respondents were in the 18- to 29-year-old age range. Officers/Analyst contributed the most for this survey as they constituted large group of the population. Many of the responders had experience between 1-3 years and many of them had a first-degree education as their greatest level of education.

There was a strong correlation between successful performance and commitment to corporate governance, according to the research. This demonstrates how taking corporate governance seriously had a significant beneficial impact on effective performance. The correlation findings were further reinforced by the outcomes of the regression analysis, which indicated that participation, evaluation, and fiscal compliance were all important predictors of effective performance. However, the company hasn't shown that it is devoted to setting a high rules and processes.

A considerable association between the structure and operation of the board and effective performance was discovered through correlational research. This demonstrates that it has a

favorable impact on organizational performance through Competencies, involvement, and Independence. The results showed that there was a very substantial and statistically significant positive link between transparency and disclosure and successful performance. The results of the multiple regression analysis, which showed that the transparency and disclosure impacted change in effective Performance, provided additional support for the conclusions. The correlational results are consistent with the regression analysis, which showed that Transparency and disclosure contributes to an organization's success. The corporation should make all pertinent papers, reports, and statements accessible to the public. while transparency and openness may not always lead to instant success, their absence might hasten an organization's demise. The right to privacy for firms steadily disappears as increased transparency and openness bring executive processes closer to accurate efficiency, provide shareholders and stakeholders greater authority.

Trust is at the core of administrative transparency and disclosure. The public is more inclined to trust a transparent business than a non-transparent one, presuming that the information presented by a corporation in a transparent manner is accurate, truthful, and non-selective. Transparent and frequent reporting, according to Batra et al. (2007), can encourage wise decision-making, which will enhance effective performance and attract further funding.

## **5.2. Conclusion**

This project paper tried to evaluate Unilever Ethiopia's corporate governance practices in comparison to standards. The study essentially answered the research questions during this procedure, and the following key conclusions are reached considering the data.

The results showed that Unilever Ethiopia's performance was favorably impacted by corporate governance commitment in connection to effective performance. The strong positive relationship between commitment to corporate governance and effective performance serves as justification for the need for board of director's top and middle level managers and employees to understand the importance of commitment to corporate governance, as this will enhance performance.

The results showed that the board's function and operation were important in influencing Unilever Ethiopia's performance, suggesting that the board's competencies, independence, and composition were crucial in Unilever Ethiopia success. As a consequence, this would encourage idea development due to the board's independence, which in turn would result in better and more timely decision-making, improving corporate performance.

According to the results, transparency and disclosure had a crucial role in improving Unilever Ethiopia's performance. This suggests that when an organization offers information that is honest, truthful, and non-selective, the public will gain confidence in the organizations and improve their performance. These arguments contend that the performance of Unilever Ethiopia was improved by transparency and disclosure.

### 5.3. Recommendations

According to the findings, organizations' current procedures need to ensure and enhance their governance. The corporate governance framework of Unilever Ethiopia's is recommended with the following suggestions to enhance the practice and fill up its shortcomings.

- According to the findings of the regression study, corporate governance commitment was revealed to be a predictor of Unilever Ethiopia's performance. In order to improve decision-making and ultimately improve the performance, Top management should guarantee that the financial reports created are accurate, relevant, and dependable. This could be demonstrated by ensuring that methods for financial reporting are effective and efficient to promote participation, efficient evaluation, and adherence to the financial policies established by the company, as this will have a positive impact on the performance.
- The results showed that the function of the board were factors in determining how well Unilever Ethiopia performed. Because of this, the shareholders and management of Unilever Ethiopia should make sure that the individuals nominated to the various boards and committees possess the necessary qualifications, promote gender equality, and act independently when making decisions. By encouraging succession planning, workplace diversity, career advice, and staff development areas where Unilever Ethiopia should provide personnel with the necessary training and talent management to help reach this goal.
- The results showed that transparency and disclosure were the most important predictors of Unilever Ethiopia's success. To improve firm performance, the management of Unilever Ethiopia should place a high priority on access, independent authentication, and transparency. This may be disseminated via Unilever websites, publications, and electronic media, which will improve Unilever Ethiopia's efficacy and efficiency in delivering the necessary services to the general population.

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## Annex

### Questionnaire

Dear Sir/ Madam This questionnaire will be used for conducting research for the Partial fulfillment of master's in business leadership at Addis Ababa University, school of commerce.

The study aims to Assess the Role of Corporate Governance for Effective Performance: The Case of Unilever Ethiopia Addis Ababa office. As part of the research undertaking, Survey Questionnaire is planned to be administered to a representative number of employees at Unilever Ethiopia. Since you are one of the selected representatives of the organization, you are earnestly requested to participate in the study by responding to the survey questionnaire. This questionnaire is prepared only for the purpose of gathering information to study corporate governance practices. It is assured that the data supplied, and the identity of the respondents will be kept strictly confidential to the researcher and will only be used for meeting the study objectives.

Thank you in advance.

### Part I: General Information (Please tick in the appropriate option)

1. What is your gender?

Female	
Male	

2. What is your age group?

18-29 years	30-45 years	46 years and above

3. How long have you been working at Unilever?

Less than 1 year	1 – 3 yrs	4 – 6 yrs	7 – 10 yrs	Above 10 yrs

4. What is your level of function?

Shareholder (1)	Top management (2)	Middle Management (3)	Officer/Analyst (4)

5. What is the highest level of education you have attained?

Diploma	Degree	Postgraduate Degree	Certification/Other (please mention) .....

## SECTION-2 Perception about the Role of Corporate Governance on Effective Performance

Please indicate the extent of your agreement with statements listed below ranging from

1- Strongly Disagree (SD), 2 Disagree (D), 3 Neutral (N), 4-Agree (A), 5- Strongly Agree (SA),

No.	Corporate governance characteristics	SD	D	N	A	SA
	<b>A. Commitment to corporate governance</b>					
<b>I</b>	<b>General</b>					
1	Company has designated officer to ensure the compliance committee or other appropriate sub -committee of the Board.	1	2	3	4	5
2	The Corporate governance code or manual specify the major stakeholders, whose interests must be considered.	1	2	3	4	5
3	There is an identified officer of the company tasked with the responsibility of ensuring that the company follows their own corporate governance policy or manual	1	2	3	4	5
4	The Corporate Governance policy or manual is easily available and familiarized to personnel and staff of the company?	1	2	3	4	5
5	The Corporate governance issues are discussed in the Annual report of the company.	1	2	3	4	5

6	The company has a written corporate governance policy or manual that deals comprehensively with corporate governance issue.	1	2	3	4	5
<b>II Participation</b>						
1	There is stakeholder participation during accountability	1	2	3	4	5
2	The degree of participation during the accountability process leads to Compliance	1	2	3	4	5
3	Management provides adequate information when making accountability	1	2	3	4	5
4	Management adheres to accountability procedures set by law	1	2	3	4	5
5	The accountability process is used as a means of assessing resource	1	2	3	4	5
6	The management of Unilever is committed to the accountability process	1	2	3	4	5
<b>III Evaluation</b>						
1	In Unilever Ethiopia, there is resource monitoring	1	2	3	4	5
2	Significant departures from accountability set targets are reported	1	2	3	4	5
3	Management provides active role and follow up for tracking variances and backlash	1	2	3	4	5
4	There is a clear methodology of tracking accountability	1	2	3	4	5
5	There are well set internal controls practices to check the accountability process	1	2	3	4	5

6	Independent financial reviews are carried out at the company	1	2	3	4	5
IV	Fiscal compliance					
1	The Company adheres to set FMCG sector policies, rules and regulations	1	2	3	4	5
2	There are effective internal controls used to monitor the operations of Unilever Ethiopia.	1	2	3	4	5
3	Staff are aware of the policies, laws and regulations	1	2	3	4	5
	<b>B. Functioning of the Board</b>					
<b>I</b>	<b>Competencies</b>					
1	I demonstrate self-confidence by getting involved in decision making	1	2	3	4	5
2	Board members possess the required knowledge and skills required to perform their roles	1	2	3	4	5
3	Board members provides mutual support and monitor the operations of the company	1	2	3	4	5
4	Board members have the capability of assessing monetary and financial documents	1	2	3	4	5
5	Board members have the capacity to develop policies and procedures	1	2	3	4	5
6	The management committee of Unilever Ethiopia is competent to handle the operations of the company	1	2	3	4	5
<b>II</b>	<b>Independence</b>					

1	The board has the mandate to carry out resource allocation	1	2	3	4	5
2	The board takes decisions independently	1	2	3	4	5
3	The board of is autonomous	1	2	3	4	5
4	The board decides on the internal control system to be instituted at the company	1	2	3	4	5
5	The company publishes meaningful quarterly reports, containing segment reporting as well as results per share, consistent with international accounting standard.	1	2	3	4	5
6	There is a Code of Ethics for the entire Company operation	1	2	3	4	5
	<b>C. Transparency and Disclosure</b>					
I	Transparency					
1	An internationally recognized accounting and auditing system is in place.	1	2	3	4	5
2	The company publishes all public information.	1	2	3	4	5
3	There is no falsification of information at the company	1	2	3	4	5
4	All relevant documents/reports/statements of the company are available for access	1	2	3	4	5
5	The information provided to the public is complete	1	2	3	4	5
6	Dissemination of company information is done in a timely manner	1	2	3	4	5
7	The company regularly undergoes an audit process to verify its performance	1	2	3	4	5

8	The audit is performed by a recognized national/international firm.	1	2	3	4	5
<b>ii</b>	<b>Disclosure</b>					
1	The Annual Report discusses the company's risk management system.	1	2	3	4	5
2	The company's annual financial statement is published no later than 3 Months.	1	2	3	4	5
3	Conflicts of interest are fully revealed through a clear and well- established mechanism, approved by the regulatory authorities	1	2	3	4	5
4	The company responds to audit queries raised by statutory bodies	1	2	3	4	5
5	The information disclosed by the company is a reflection of its performance	1	2	3	4	5
	<b>D. Organizational Performance</b>					
1	The company is highly productive.	1	2	3	4	5
2	The company is one of the fastest growing FMCG company in the country	1	2	3	4	5
3	The company's sales volumes have been growing for the last 2 years	1	2	3	4	5
4	The company's sales turnover has grown	1	2	3	4	5
5	The company's return on investment has been growing over the years	1	2	3	4	5

6	The asset base of the company has grown	1	2	3	4	5
7	The company's customer base has grown over the years	1	2	3	4	5
8	The profit margins of the company have growth	1	2	3	4	5
9	At the company, the total costs of operation have continued to reduce	1	2	3	4	5