Gordon Institute of Business Science
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A multinational perspective: corporate governance, weak state transparency and financial performance

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ABSTRACT

The rise of international trade, and the concurrent drive for ethical business practices worldwide, have placed a spot light on the interaction of multinational companies and their operating environments. Resultantly, management of multinational companies are under pressure to devise business practices, which harmonise subsidiary development and ethical business conduct, in countries with weak state transparency. In light of ethical challenges posed by developing countries, this study aimed to explore, using the lens of institutional theory, whether multinational companies uphold strong levels of corporate governance, for their subsidiaries operating therein. The consequential impact on financial performance, and implications for global governance practices of multinational companies, were further explored.

A mixed research methodology was applied, using a questionnaire with a large quantitative, and small qualitative aspect. Quantitative questions focused on existence and effectiveness of corporate governance, while qualitative questions explored institutional and business interactions in developing and developed countries. An American multinational company's subsidiaries in developed and developing countries, were purposively selected, and data collected from 203 respondents was analysed.

The study uncovered the interplay between internal governance of multinational companies (micro-level) and country governance (macro-level), and the impact on financial performance. While strong levels of corporate governance were found to be applied in developing countries, the relationship to financial performance was insignificant. However, a significant relationship between an environment's state transparency and financial performance existed. Endogenous factors, such as Leadership accountability, incorporating stakeholder governance, were found to require adaptation to institutional characteristics in the environment, for subsidiary legitimation.

The findings therefore contest the management of multinational companies, on applying standard corporate governance practices globally. Secondly, the study extends existing literature on institutional theory, ethical pressures, and political risk in developing countries, including adaptive practices required from multinational companies. Lastly, the findings contribute to the growing body of literature, around the impact of endogenous factors on the relationship between corporate governance and financial performance, which future academics can build on.

Keywords: Multinational companies, corporate governance, institutional theory, weak state transparency, financial performance

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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06 November 2017

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1 INTRODUCTION TO THE RESEARCH PROBLEM

"Good corporate governance is not an end in itself. Instead, it is a means to create an environment of market confidence and business integrity that supports capital market development and corporate access to equity capital for long-term productive investments"

- OECD Corporate Governance Factbook 2017, p5

1.1 Research title

A multinational perspective: corporate governance, weak state transparency and financial performance.

1.2 Introduction

Corporate Governance has become increasingly topical over the last decade, and various perspectives of the concept exist from the fields of economics, law, and political science (Aguilera & Jackson, 2010; Ahmad & Omar, 2016). This study adopted the economics and management perspective of corporate governance. Broadly defined, corporate governance refers to an organisation's methods and processes, which align the interests of stakeholders in a way that is beneficial to all of them, whilst achieving the organisation's strategic objectives (Kummamuru, 2016).

1.3 Research background

1.3.1 Governance in multinational companies and financial performance

Multinational companies are at the height of their relevance as the main players of the globalised economy (Ion, 2015). Concomitantly, international financial crises and the collapse of global corporate giants such as Enron due to fraud and corruption, in the past two decades, highlighted weaknesses in corporate governance structures (Ntim, Lindop & Thomas, 2013). Principally emerging, was the consequence of the agency problem affecting the implementation of sound corporate governance, due to the separation of management and ownership within organisations (Saltaji, 2013; Ahmad & Omar, 2016; Owusu & Weir, 2016). The latter exposed the ever topical conflict between management actions and shareholders goals (Saltaji, 2013). It paved the way for tighter regulatory and governance frameworks, particularly concerning corporate and social responsibility, risk management, and reporting (Ntim et al., 2013).

Accordingly, ethical concerns which internationally trading firms need to factor into their strategic decisions, are subject to widespread debate (Bhasa, 2004). More recent

corporate governance failures, for example, within emerging market multinational companies such as Toshiba (Melé, Rosanas, & Fontrodona, 2017) and MTN (Burkitt-Gray, 2016), arose as a result of ethical malpractices, which negatively impacted key stakeholders. This supports the need for intensified governance reform globally. In light of this, international bodies regulating corporate governance, such as the Organisation for Economic Co-operation and Development (OECD), continuously reinforce the need for governance practices which embody stakeholder considerations and business ethics (OECD, 2015; Owusu & Weir, 2016).

With the focus on improving governance frameworks internationally, studies show a positive correlation between sound corporate governance practices and improved financial performance (Ueng, 2016). Ahmad and Omar (2016) argued that good corporate governance results in lesser risk of financial failure, and increased economic value. An added facet to this, is that the existence and effectiveness of corporate governance policies, fortifies investors' confidence, who then provide essential inputs, namely resources and capital, which drive company growth and performance (Kumar & Zattoni, 2014).

However, a question arises as to whether the correlation between corporate governance and financial performance is sustainable, for multinational companies with subsidiaries operating in countries deemed to have weak state transparency. Transparency is viewed as a measure to combat corruption, while corruption broadly defined, is the misuse of entrusted power to fulfil private motive (Transparency International, 2017).

1.3.2 The impact of host country influences on corporate governance

Globalisation, which used to be restricted to the expansion of multinational companies into developed countries with consumers having high purchasing power, has changed its course, as multinationals are now expanding their global footprint into developing countries (Ion, 2015). Developing regions such as Africa, have been the focus of foreign investment in recent years. Ernst & Young (2017) presented, that the increase in foreign direct investment in Africa from 2015 to 2016, with reference to capital investment, was 31.9%. In light of this, it is argued that multinational companies have a global management system and infrastructure, including a global governance system, to bridge cultural differences between areas of operation (Ion, 2015), in developed and emerging market countries.

However, Bhasa (2004) argued that countries have their own governance systems determined by the political environment, which in turn influence the economic environment. Additionally, different political perspectives in different countries, means

that countries struggle to adopt an international best practice of corporate governance, a concept described as convergence (Bhasa, 2004). Ahmad and Omar (2016) drew upon two distinct corporate governance models applied by different countries globally, which are influenced by the political and institutional environment of the country. These among others, are discussed further in Section 2.5.2:

i. Anglo-saxon model – embodies the maximisation of shareholder wealth, which is analogous to models presented by Bhasa (2004), namely the market-centric model, finance model and outsider model.
ii. Continental European model – reflects the maximisation of stakeholder value, which is parallel to the Nippon-Germano model presented by Bhasa (2004).

Expanding on political influences, Luiz and Stewart (2014) argued that when multinational companies enter countries with weak institutions and corruption, they require formal strategies to counteract the impact of this, such as strong ethical systems. This suggests the need for multinational companies, to adapt their corporate governance structure accordingly, to each country's institutional environment. To this effect, Rottig (2016), conveyed the concept of institutional theory, and argued that the survival and success of multinational companies, is dependent on their conformance to the social, political, and regulatory pressures of the environment in which they are operating, including the country governance model. This study therefore challenged the application by multinational companies, of a standard global management and governance system, across all countries of operation. Note that reference to institutions in this study relates to state or government bodies, that is, public institutions.

Specifically looking at emerging markets, these together with frontier markets are classified under the banner of developing markets (Financial Times, n.d.). Emerging markets are those countries where return on investments are substantial, however with a high level of risk, while frontier markets have the same characteristics but are less advanced (Financial times, n.d.). Rottig (2016) asserted that emerging markets are typically characterised by weak institutions and governance. Regions with such markets, such as Africa, struggle with good corporate governance due to inefficient regulatory and institutional support for it (Rossouw, 2005). Luiz and Stewart (2014) pertinently built on this argument, through their assertion that African countries pose significant strategic and operational challenges for multinational companies, due to their weak institutional frameworks including regulatory, political and judicial systems. Resultantly, as governments in emerging markets are wholly involved in the governance system, multinational companies therein are prone to greater state influence (Rottig, 2016).

The argument for the institutional influence, on the practices of multinational companies, suggests that emerging market multinational companies, originating from countries with weak institutions, have weaker governance than those from developed markets. This was iterated through an argument that, the performance of emerging market multinationals, is vulnerable to their home country institutional constraints and weaknesses (Wang, Luo, Sun & Maksimov, 2014; Geleilate, Magnusson, Parente, & Alvarado-Vargas, 2016). The latter is evident in recent corporate scandals involving developing market multinational companies, such as MTN and Toshiba.

1.4 Research purpose and relevance

1.4.1 Overview of research purpose

Based on the research problems introduced in Section 1.3, the purpose of this study was to establish whether multinational companies uphold strong levels of corporate governance practices, in operating environments deemed to have weak state transparency, with specific reference to the nine aspects of corporate governance outlined in the King III (Institute of Directors Southern Africa (IODSA), 2009). These aspects were looked at from the perspective of internal governance in multinational companies, described by Brown, Beekesc, and Verhoevend (2011), as corporate governance structures and processes within the control of shareholders and directors.

Thus the impact of country governance, on internal organisational governance was investigated. The study then proceeded to analyse the impact of the level of governance practices observed in such environments, on financial performance. Lastly, the study included cross-country (developed versus developing countries) and cross-region explorations, of the level of corporate governance practices between subsidiaries operating therein, in relation to the institutional and governance strength of these markets. This aimed to determine whether standard governance models are appropriate.

1.4.2 The business need for the research

The business need for the study, arose from the necessity for multinational companies to be cognisant, of external drivers of their subsidiaries' financial performance. Subsidiary development has become increasingly important as it enhances resources, performance and ultimately growth of multinational companies, if managed effectively, whilst economically developing the host country (Hood & Birkinshaw, 2016). Luiz and Stewart (2014) argued that understanding environmental factors such as corruption, allows multinational companies to accurately set risk tolerance levels, and take

appropriate strategic response. This was argued to minimise institutional impacts, such as, unforeseen transactional costs from bureaucratic delays (Luiz and Stewart, 2014).

This understanding is important for multinational companies to succeed in emerging markets, such as Latin America and Africa, which have become the focus of global economic development recently (Rottig, 2016). This study looked at countries from such markets, such as Brazil and South Africa (FTSE Russell, 2016). As governments therein often control activities by multinational companies, it increases business uncertainty and risk (Rottig, 2016). In this regard, Rottig (2016) fittingly argued that, despite the challenges presented by emerging markets for multinational companies, these can be advantageous, if multinational companies mould their business models, in a way that leverages off the institutional characteristics of these markets.

Another factor which incited the business need of this study, is the increased pressure on multinational companies to adopt the stakeholder approach to business, in host countries. Transparency International (2017) drew an interesting parallel, that countries with high corruption, are those typically noted to have high inequality. Agyemang and Castellini (2015) argued, for the existence of good corporate governance to efficiently allocate resources therein. This amplifies the need for multinational companies to engage in ethical practices within such countries, including a contribution to uplifting social disparities therein. The latter stimulates social acceptance for multinational companies in the host country, described as legitimacy (Rottig, 2016), which fosters social capital (Lins, Servaes & Tamayo, 2015), a key input into overall business success.

1.4.3 The academic purpose of the study

The theoretical need for this study, was supported by the fact that, previous studies on multinational companies, are predominantly in the sphere of the interplay between their subsidiary strategies and emerging or developing country influences, with no explicit link to internal corporate governance aspects entirely, in unison with financial performance. For example, Luiz and Stewart (2014) looked at the cost impact of corruption on South African multinationals and their ethical responses only, in Africa. Spencer and Gomez (2011) looked solely at the pressures multinational companies' subsidiaries face, to engage in corrupt practices in developing countries. Bremmer (2014) reviewed institutional contexts in emerging markets, and their impact on globalisation and multinational companies' strategies. Pattnaik, Choe and Singh (2015) recapitulated this in their argument that the quality of institutions in the host country, impact the strategy and performance of multinational companies. Thus the academic gap came about as previous studies have not looked at the association between internal corporate

governance practices (micro-level) and financial performance, within countries deemed to have weak state transparency, the latter specifically referring to country governance (macro-level).

Additionally these studies mostly leaned towards the impact of emerging markets institutions, and did not explore the disparities between corporate governance levels of multinational companies' subsidiaries, in developing countries compared to developed countries. For example, Rottig (2016) outlined the concept of institutional theory, and the impact of governance adversities in emerging markets on multinational companies' actions and success, without exploring the contrast to developed countries.

Lastly, other studies performed on the governance-performance relationship, did not examine it, in light of multinational companies and their subsidiaries. For example. Owusu and Weir (2016), explored the impact of introducing a code of governance in Ghana, specifically for Ghanaian firms, on financial performance. Ntim (2013), studied the relationship between adopting corporate governance provisions relating to stakeholders and financial performance, specifically for South African context and firms. Although both studies touched on the institutional environment of the countries, they did not explicitly study the relationship between corporate governance practices and the institutional environment, as did this study.

1.5 Research objectives

In light of the research purpose outlined in Section 1.4, the research objectives for this study were:

i. To assess whether multinational companies conform to strong levels of corporate governance practices, in operating environments deemed to have weak state transparency.
ii. To determine whether a relationship exists between stronger corporate governance practices by subsidiaries of multinational companies, and financial performance, in operating environments with weak state transparency.
iii. To ascertain whether there are differences in corporate governance performance levels required, across regions in which a multinational company's subsidiaries operate. This speaks to the appropriateness of centrally managing governance and applying one standard across regions of operations.

1.6 Research context

The study primarily analysed the dynamics of an American multinational company, with subsidiaries operating in countries with weak state transparency, in Latin America and

Africa. As Rottig (2016) argued, these two regions have become the focus of global economic development. Transparency International (2017), publishes the Corruption Perceptions Index annually, ranking the observed levels of public sector corruption for countries on a scale of 0 to 100, with the lower end of the scale indicating high corruption. Based on the Corruption Perceptions Index 2016 (Transparency International, 2017), this paper specifically looked at subsidiaries of the multinational company under study, operating in the following developing countries, deemed to have weak transparency:

- Brazil – Transparency index of 40
- Nigeria - Transparency index of 28
- Angola - Transparency index of 18
- Ghana - Transparency index of 43
- South Africa Transparency index of 45

Nigeria, Angola and South Africa are Sub-Saharan Africa's largest three economies, while Ghana is deemed to be one of the top ten investment attractive countries in the region (Ernst & Young, 2017). To further support the transparency indices above, the table below reflects six governance indicators published by The World Bank Group (2016) for these countries. The scores are based on a range of -2.5 to 2.5, where the higher end of the range represents a strong score for the factor, and the lower end is the contrary (The World Bank Group, 2016). The results consistently, emphasise low corruption control, weak governance, instability in the political system, and ineffective government and judicial systems in these countries.

Figure 1 : World Governance Indicators

	Brazil	Ghana	Angola	Nigeria	South Africa
Control of Corruption: Estimate	-0.43	-0.18	-1.40	-1.10	-0.04
Government Effectiveness: Estimate	-0.19	-0.26	-1.01	-0.95	0.27
Political Stability and Absence of Violence/Terrorism: Estimate	-0.4	0.0	-0.6	-2.1	-0.2
Regulatory Quality: Estimate	-0.21	-0.03	-0.91	-0.84	0.30
Rule of Law: Estimate	-0.19	0.12	-1.07	-1.04	0.06
Voice and Accountability: Estimate	0.38	0.51	-1.19	-0.44	0.63

Source: Adapted from The World Bank Group (2016).

The above indices are in stark contrast to those of developed European economies, such as, Denmark (score of 90), Sweden (score of 88), and the United Kingdom (UK) (score of 81) (Transparency International, 2017). Denmark and New Zealand (score of 90) were

ranked number one, as the least corrupt countries for 2016 (Transparency International, 2017). Furthermore, the North American region, particularly the United States of America (USA) (score of 74) and Canada (score of 82), had indices reflecting robust corruption control (Transparency International, 2017). These countries are considered to have strong public sector transparency, with favourable factors such as judicial independence, transparency in government policy making, and ethical behaviour of firms, contributing positively to the business environment (The World Economic Forum (WEF), 2016).

The contrast in corruption levels presented above, between developing and developed economies, was incorporated into this study's cross country and region analyses, of the subsidiaries' corporate governance practices. The USA (Head office) and United Kingdom, were the selected representative countries for developed market economies, for the study.

1.7 Conclusion and research structure

Emerging or developing markets, have distinct institutional characteristics, such as prioritisation of political agendas, weak judicial systems, and poor regulatory systems, to which multinational companies are vulnerable, in order to succeed (Rottig, 2016). This study was designed to explore the impact of such institutional influences, on internal governance practices of multinational companies operating in these environments, and the consequential impact on financial performance. A comparison of corporate governance levels in these environments, to those in developed markets was performed.

While the research problem, its relevance and objectives were introduced in this chapter, Chapter Two provides a view of existing literature supporting the need of the research. Chapter Three introduces the research questions and hypotheses used to explore the research problem. Subsequently, Chapter Four explores the research methodology, and data collection and analysis methods applied to address the hypotheses. Thereafter, the full results of the data analysis are presented in Chapter Five, while Chapter Six discusses these concurrently with aspects of literature from the previous chapters. To conclude the study, Chapter Seven draws upon the principle research findings emerging from the results, the research implications and limitations, while suggesting areas of future research.

2 LITERATURE REVIEW

2.1 Introduction

The sections in this chapter present existing literature, to provide insight on distinct theories which stimulated the need for the research. In this regard, corporate governance progression globally was explored, including the state of governance in the countries selected for this study. Additionally, literature on the impact of corporate governance on financial performance was explored. The chapter then examines corporate governance in multinational companies and introduces institutional theory and its implications on multinationals, including an analysis of country governance models.

The chapter demonstrated that, although there is a body of literature on the association between internal corporate governance aspects and firm performance, the relationship of this specifically to institutional theory and host country governance systems and levels, has not yet been fully explored. This aligns to the aim of the research which was, to explore the impact of host countries with weak institutional and governance systems, on the corporate governance levels of multinational companies' subsidiaries operating therein, and the subsequent impact on their financial performance. The literature review was also essential for discussing the results of the study obtained, in Chapter Six.

2.2 Corporate Governance regulations

The Cadbury report was the first corporate governance code written in 1992, setting a precedent for subsequent codes over the last couple of decades. The report was effected in the UK on a recommended 'apply or explain' basis, for companies then listed on the London Stock Exchange (Cadbury Committee, 1992). Titled 'The Financial Aspects of Corporate Governance' (Cadbury Committee, 1992), it was established to address gaps noted with financial accounting and accountability, from major corporate scandals and frauds that had then occurred. The focus of the report was on board effectiveness, board responsibilities with company finances, shareholder relations and the necessity for specialist functions, namely internal and external audit (Cadbury Committee, 1992).

Whilst this report focused on financial aspects, in more recent years, corporate governance principles such as those published by The Organisation for Economic Co-operation and Development (OECD) cover non-financial aspects as well, namely stakeholder accountability, which policy makers, investors and other stakeholders internationally, have wholly used as a benchmark for corporate governance structures over the past years (OECD, 2015). These OECD principles also place emphasis on board practices, related party transactions, monitoring, and risk management (OECD

Factbook, 2017). Internationally, corporate governance for most jurisdictions has been enforced through a combination of laws and regulations in the form of company and securities acts, or national corporate governance codes mostly on a 'comply or explain' basis, or both (OECD Factbook, 2017). The ensuing section analyses more recent corporate governance trends internationally.

2.2.1 Corporate Governance progression

Major corporate scandals and the 2008 financial crisis, had a profound impact on the global economy and corporate governance. Two corporate scandals that drew attention to the effectiveness of corporate governance practices internationally, were Enron in 2001 and Worldcom in 2002 (Norwani, Mohamad & Chek, 2011). Enron's failure was attributed to reckless trading by management, concealed through grey areas in accounting provisions with special purpose entities, while Worldcom's failure was also due to reckless trading, through exorbitant loans made to senior management and fraudulent financial reporting (Norwani et al., 2011). Whilst these scandals spoke to gaps in accounting regulations in terms of reporting, they were encompassed in the broader issue of corporate governance failure. Both scandals highlighted the corporate governance concern of agency theory. They also revealed weaknesses in three key areas of corporate governance (Norwani et al., 2011):

i. Risk-management practices (reckless trading);
ii. Poor monitoring of compliance with regulations by entrusted bodies such as boards and financial advisors, and a gap in the regulation of transparency, ethical conduct and practices by those entrusted with the affairs of the company;
iii. Financial and other reporting weaknesses.

The 2007/2008 financial crisis rehashed the debate around corporate accountability, transparency, social responsibility, succinct risk management and reporting practices (Ntim et al., 2013). The OECD (2014), specifically attributes the financial crisis to deficient risk management, where strategy and risk were not harmonised by company boards. These weaknesses influenced the development of the stakeholder approach to corporate governance. Lins et al. (2015), aptly argued that during a financial crisis, firms with higher social capital from stakeholders and investors, fostered through corporate social responsibility, experience higher profitability than those which do not have such practices. Thus adopting the stakeholder approach, acts an investment in social capital, carrying through financial performance in times where lack of trust in institutions and companies threaten sustainability (Lins et al., 2015). This study explores this, and

recognises the stakeholder view as a theoretical model, which links corporate governance and financial performance in Section 2.2.

A recent occurrence with an African multinational company namely MTN, is inextricably linked to one of the key weaknesses of corporate governance noted from the past two decade's international scandals, specifically poor monitoring of compliance with laws and regulations by those entrusted with the affairs of the company. The Nigerian government instituted regulatory requirements for telecommunication companies operating in Nigeria like MTN, to cut unregistered sim cards in a bid to protect society from crime committed through mobile phones, such as terrorism (Burkitt-Gray, 2016). However, MTN did not comply with the given timelines, and consequently is liable for a large non-compliance fine (Burkitt-Gray, 2016). Such failures, directly linked to the well-being of society, further amplified the importance of the stakeholder approach to governance.

Another recent corporate failure, Toshiba, is also linked to one of the key weaknesses noted in corporate governance over the past few decades. Specifically, financial accounting and reporting weaknesses, led to the overstatement of profits in Toshiba's in the financial statements, to attain profit targets (Melé et al., 2017). In the researcher's view these recent occurrences illustrate the need for continuous focus and strengthening of corporate governance practices, with regards to ethical practices worldwide.

2.2.2 Corporate Governance frameworks

With the lessons learnt from corporate scandals and the financial crisis in mind, it is evident that corporate governance is an important facet on a micro and macro level. Vaughn and Ryan (2006), asserted its importance on a macro level, as it influences the strength of the economy and development opportunities. Below, the corporate governance guidelines of the developing countries under study in this paper (Brazil, Angola, Nigeria, Ghana and South Africa) are analysed, in terms of existence, maturity and influence. The analysis commences by looking at the corporate governance framework applicable to the developed countries under study, that is the USA (head office of the multinational company under study) and the UK.

- **Corporate Governance in America**

In response to the corporate scandals in the USA, the Sarbanes-Oxley Act (SOX) of 2002, described as an "emergency legislation" (Romano, 2004, p.8) was enacted with the aim to address corporate fraud and reckless behavior. SOX covered provisions such as auditor independence, corporate responsibility and accountability for fraud, and reporting and disclosures (Romano, 2004). Romano (2004) argued that the provisions of SOX were not newly created as often thought, but instead, had been discussed long

before by policy makers in the USA, as well as various corporate governance activists internationally. For example, Dumay, Bernardi, Guthrie, and Demartini (2016) argued that after the corporate scandals, some principles from the King II of South Africa were integrated into SOX, pointing to South Africa as a global influence of corporate governance.

Three sections of SOX which place emphasis on internal financial controls, specifically aimed at addressing the root cause of the corporate scandals are outlined below (Prentice, 2007):

- Section 302 which requires Chief Financial Officers and Chief Executive Officers of public companies to sign off on the accuracy of financial statements attesting that no material misstatements and omissions were noted.
- Section 906 (a) which stipulates the penalties applicable for officers who misstate financial records intentionally.
- Section 404 which requires a management report on internal controls reviewed and assured by external auditors.

Section 404 has been controversial over the past few years, in terms of the cost versus benefit of complying with its requirement of externally assured internal controls reports (Schroeder & Shepardson, 2016). In a study performed by Schroeder and Shepardson (2016), it was investigated whether compliance with this section had a positive impact on the quality of a company's internal controls system. The results explained that rigorous internal control evaluation and assessment from external assurers (404b) had a positive impact on the quality of internal controls systems, while internal management reviews of internal controls (404a) had a minimal impact (Schroeder & Shepardson, 2016). Thus some benefits arise from SOX (Prentice, 2007), despite controversial debates around its effectiveness. To support this premise, Prentice (2007) cited a study performed by GovernanceMetrics for 2500 global companies, where it was found that SOX compliance had improved corporate governance for US companies by 10%, as compared to non-US companies.

- **Corporate Governance in the United Kingdom**

The UK has a historically mature corporate governance framework, which is evident in the strong markets existent therein today. The first corporate governance code globally, The Cadbury Report, originated from the UK, and its impact on global corporate governance progression, was briefly deliberated in the opening to section 2.2. It developed into the current UK Corporate Governance Code, which has a shareholder inclination, and follows a 'comply or explain' approach (Meier and Meier, 2014; UK

Financial Reporting Council, 2016). The Code thus focuses on effectiveness of leadership and boards, and their accountability and relationships with shareholders (UK Financial Reporting Council, 2016). A key argument by Meier and Meier (2014) and the UK Financial Reporting Council (2016), is that the flexibility and more favourable approach to governance offered by the code, has attracted investors to the UK, which has contributed to the strength of the UK capital markets. The obligation to shareholders rather than regulators allows the decision on the adequacy of corporate governance to be determined internally by those with interest in the organisation (UK Financial Reporting Council, 2016). One key benefit of the UK corporate governance approach is that it is effective but not costly, which has drawn investors select the UK rather than to the US (Meier & Meier, 2014).

- **Corporate Governance in Brazil**

The Brazilian Institute of Corporate Governance (IBGG), is a non-profit organisation, which was established in 1995 to promote transparency and accountability within the private and public sectors in Brazil (IBGG, 2015). A Code of Best Practices for Corporate Governance was first developed in 2009 by the organisation, which embodies governance recommendations on shareholder relations, governing bodies such as Internal Audit, and ethical practices (IBGG, 2015). This code was provided as a guide with no stipulation on the required compliance levels. Resultantly, the Brazil Corporate Governance Code, which also has a stakeholder disposition and covers the same aspects, was instituted for Listed Companies on a ‘comply or explain’ basis in 2016, (OECD, 2017).

However, recent incidences in Brazil, relating to public sector corruption, shed light the infancy of formalised corporate governance regulation in Brazil. For example, earlier this year, corruption was revealed within a large South American construction company, originating from Brazil, Odebrecht. Along with other Brazilian companies, Odebrecht, made facilitation payments to Petrobras, a government-owned oil company, including public officials (Gallas, 2017). However, the responsiveness and public reprimand of corruption in Brazil does leave hope for investor confidence.

- **Corporate Governance in Africa**

A key barrier to sound corporate governance in Africa is weak regulatory and institutional structures (Rossouw, 2005; Luiz & Stewart, 2014). If we take a look at corporate governance in Angola, it is noted that state enforcement of external and internal corporate governance was historically weak, which lead to a society and economy infiltrated with corruption and rent-seeking behaviour (OECD, 2007), particularly as the

country is rich in natural resources such as oil. In an effort to mitigate the negative effects of this on the economy and society, the Angolan Corporate Governance Centre was opened in 2013, to promote transparency and accountability in the public and private sectors (Angolan Corporate Governance Centre, 2017). Sectorial codes exists such as the mandatory corporate governance code for financial institutions which was introduced in 2013 by the National Bank of Angola (Corporate Governance Charter of Angola, 2013). Additionally a voluntary Corporate Governance Charter of Angola exists established in 2013, for public and private corporates as well as state bodies, covering aspects such as shareholder relations, remuneration of management, and board roles and composition (Corporate Governance Charter of Angola, 2013). Based on this recent focus on corporate governance, Angola is still in its infant stages of solidifying governance frameworks and their effectiveness. As is seen in the case of Nigeria below, multiple codes such as those in Angola, present the problem of potential conflicts in provisions, which discourages compliance and corporate governance effectiveness.

In Nigeria, establishment of corporate governance codes commenced in the year 2000 to streamline the practices of public companies (Okike, 2007). While other African countries such as South Africa applied an inclusive model of governance, the voluntary Code of Corporate Governance in Nigeria 2003, did not have specific stipulations on stakeholder accountability for boards (Rossouw, 2005). Thus a question arose as to its effectiveness. In this regard, Okike (2007) argued that as a country deemed to be highly corrupt, Nigeria required a revision of their code to foster foreign investment confidence.

Subsequently, Nigeria issued sectorial governance codes such as the banking code of corporate governance, however, with multiple codes governing different sectors, conflicts between their provisions arose, thereby discouraging compliance, weakening the effect of monitoring bodies, and disintegrating corporate governance effectiveness in Nigeria (Osemeke & Adegbite, 2016). In response to this, in 2016 all codes were superseded and replaced by a mandatory National Code of Corporate Governance, to form a unified approach to governance in Nigeria (Financial Reporting Council of Nigeria, 2016). The code focuses on board responsibilities, shareholder rights, and touches on stakeholder management and transparency (Financial Reporting Council of Nigeria, 2016). As a newly introduced code, its impact on corporate governance in Nigeria cannot yet be fully assessed.

Corporate governance structures in Ghana, have been in existence for approximately the same period as those in Nigeria, with the main oversight body, the Institute of Directors Ghana, established in 1999 (Institute of Directors, Ghana, 2017). The

Companies Code of Ghana and the Ghana listing requirements set forth the role of key corporate bodies such as directors and auditors (Agyemang & Castellini, 2015). The Ghanaian Governance Code was introduced in 2003, with a 'comply or explain' approach, covering aspects such as audit committees, shareholder relations and disclosure considerations (Owusu & Weir, 2016). Governance in Ghana focuses on protecting shareholder rights and addressing the agency problem, with minimal emphasis on broader stakeholder considerations, the latter which is essential for emerging markets like Ghana who have the socio-economic concerns (Agyemang & Castellini, 2015). It is therefore not a mystery, why progression and the effectiveness of corporate governance in Ghana has been hindered, despite the existence of these governance structures, due to the lack of independence within state-owned corporates and weak judicial systems (Agyemang & Castellini, 2015).

South Africa on the other hand has a significantly more mature corporate governance framework than its African counterparts, established in 1994 to address democracy inadequacies from Apartheid, reinforce foreign investor confidence, and afford the country an opportunity to partake in international markets (Vaughn & Ryan, 2006). Since then, corporate governance reform in South Africa has focused on both financial (shareholder) and non-financial aspects (stakeholder) (Ntim et al., 2013). The first governance report King I, incorporated the stakeholder view from the onset, and the revised King II in 2002 bought on the concept of integrated reporting (Dumay et al., 2016). King III was effected in 2010 to form alignment with South Africa's Companies Act of 2008, and bought in the 'apply or explain' principle (IODSA, 2009).

The King IV was launched in 2017, but its use is not yet prominent. The King IV essentially covers the same aspects as those in the King III, thus the fundamental concepts and direction of the King III have not changed (IODSA, 2015). It builds onto the King III, in areas such as remuneration of boards, responsible investing, and integrated reporting (IODSA, 2015). The King IV (IODSA, 2015) also allows more flexibility in application, by stating the principle recommendations in King III as objectives. Rather than focusing on rigid recommended practices, which are not applicable across different organisation types, the King IV leaves discretion to companies on how to achieve the objective stated (IODSA, 2015). This scopes in organisations like non-profit organisations, private sector organisations, and state bodies, who found King III challenging to interpret and apply (IODSA, 2015), with wording that focused on listed companies.

In light of this, South Africa's regulatory and corporate governance frameworks are described as being comparable to those of developed markets (Ntim, 2013). Thus as argued by Vaughn and Ryan (2006) South Africa can serve as a bellwether of corporate governance for Africa. Due to the maturity of the corporate governance framework of South Africa as compared to the rest of Africa, the corporate governance variables for this study is adapted from the King Code of Corporate Governance. As the fundamental nature of the King III has not changed, and because the King IV is not yet prominent in use, the principles of the King III is used for this study. The nine facets of governance in the King III (IODSA, 2009) are:

i. Ethical leadership and corporate citizenship - board responsibilities in ensuring an ethical foundation for the company and its practices.
ii. Board and Directors - board conduct, composition and committees, remuneration, and board role in enforcing compliance with laws and regulations and corporate governance in its entirety.
iii. Audit committee - role, composition of the audit committee and interactions with internal and external assurance providers.
iv. The Governance of risk - risk management plans, assessments, functions and policies and the boards' responsibilities in monitoring and disclosing these.
v. The Governance of information technology (IT) – IT governance frameworks and management of information technology assets by boards.
vi. Compliance with laws, rules, codes and standards - board responsibilities in enforcing compliance, compliance frameworks and functions, and linking compliance to risk management.
vii. Internal Audit – roles and composition of internal audit.
viii. Governing stakeholder relationships - board role in developing and nurturing stakeholder relationships and improving communication with them.
ix. Integrated reporting and disclosure - enhancing transparency and accountability through integrated reporting (financial and non-financial impact of the business).

The Corporate Governance Index published by Institute of Internal Auditors South Africa (IIASA) (2016), measures application of specific corporate governance practices by companies and sectors in South Africa based on King III. It is the first corporate governance measurement index in South Africa, through which data is gathered using a questionnaire, from Chief Audit Executives of various companies (IIASA, 2016). This study's questionnaire considered questions from this instrument to measure corporate

governance practices. The use of King III and this index for the study overall, is further motivated by the fact that SOX was influenced by the King Code (Dumay et al., 2016), pointing to South Africa as a global influence of corporate governance, not just Africa.

2.3 Corporate governance and Firm performance

2.3.1 Theoretical models: corporate governance and firm performance

In response to ethical concerns and debates that have arisen around multinational companies and their strategic decisions (Bhasa, 2004), various conceptual models have been explored showing the underlying relationship between corporate governance and financial performance (Ho 2005). Those models specifically consistent with corporate governance reform over the past decade are the participative and stakeholder models. Kolk (2008) argued that corporate governance reform has leaned towards the perspective that companies' operations should not compromise any stakeholders. Below, the participative and stakeholder models are explored.

- **Stakeholder model**

The stakeholder model speaks to transparency, accountability and ethics of business practices. In light of the importance of governance, companies are seen to have extended duties to stakeholders such as employees and society beyond regulatory requirements (Heath & Norman, 2004; Ahmad & Omar, 2016). Thus, Buchholz and Rosenthal (2004) argued that stakeholder theory can be viewed as an alternative to government regulations, and that the main aim for managers is to balance their obligations to stakeholders and shareholders. Much like the participative model below, stakeholder theory borders on inclusive operations. Harrison and Wicks (2013) supported this, in their argument that creating stakeholder value is more than economic, as it involves extending value in all aspects through stakeholder participation and gaining their support for business decisions, which feeds back into overall value for the firm.

- **Participative model**

The model entails freedom, creativity and the ethics of these, argued by Collier and Esteban (1999) as cornerstones to business flexibility. It is essential for companies to have adaptable systems and processes in the wake of ever-changing markets in today's globalised economy. Participative organisations allow involvement of all stakeholders in decisions promoting accountability and transparency. Collier and Esteban (1999) supported this by asserting that the participative model encourages productivity and creativity through involvement of people. The latter feeds into enhanced financial performance for companies as a whole. The participative model overcomes barriers of

other models like the stakeholder and finance models which disregard realities such as cultural and technological contexts, and thus have a degree of inflexibility (Collier & Esteban, 1999). Good governance therefore comes from the freedom, creativity and learning offered by this model, which heighten accountability and ethics. Both these models highlight that companies that are consistent with stakeholder inclusion, gain positive benefits which foster firm performance.

2.3.2 Empirical evidence: corporate governance and firm performance

Various studies have investigated the relationship between pertinent aspects of corporate governance and firm performance. Fundamental aspects studied as corporate governance variables include board role and composition, and other control mechanisms such as ownership structures (Ho, 2005; Owusu & Weir, 2016). Empirical evidence from such studies, has shown a causal relationship existing between corporate governance and firm performance. Brown et al. (2011) and Owusu and Weir (2016), found that such studies also established that this relationship is endogenous and may be impacted by other firm characteristics.

- Corporate governance, investor confidence and financial performance

Ho (2005) asserts that good corporate governance practices are enablers of efficient capital use and investor confidence. These contribute ultimately to the financial performance of a company. This was further asserted by Kumar and Zattoni (2014), in their premise that the existence of corporate governance policies drives trust and investor confidence in firms, an essential input for driving performance, as resources and capital from such investors fund the growth of firms. Of great importance is the quality and effectiveness of corporate governance practices and not just their existence. Ueng (2016), aptly argued in this regard, that better corporate governance policy ratings which speaks to quality, are likely to lead to better financial performance (measured by stock returns), such as quality policies around board structure, compensation, and accounting practices.

Within an emerging market context, Klapper and Love (2004), performed a study on the consequence of the environment on corporate governance practices. Their study found that weaker environments, led to weaker corporate governance practices which subsequently supressed financial performance (Klapper & Love, 2004). Of specific focus in the context of the operating environment, was the legal system of the markets, in terms of protection of investors' rights (Klapper & Love, 2004). Based on this, Klapper and Love (2004), suggested that firms can reduce the impact of weak judicial systems in their operating environments, through strengthening their corporate governance practices.

The latter was found to positively correlate with financial performance measures namely, Return on Assets (ROA) and Tobin's Q ratio (Total liabilities and market value of equity as a ratio of total assets) (Klapper & Love, 2004).

Additionally, in connection with emerging markets, Ntim (2013) performed a study of corporate governance practices across 169 multinational companies listed on the Johannesburg Stock Exchange, and found that South African corporations with better governance have higher financial performance in terms of ROA, Tobin's Q (book-to-market value of assets) and total share returns. Furthermore, adherence of these corporations to stakeholder provisions on a domestic front, such as affirmative action, was found to be positively correlated with financial performance, as political costs are reduced and access to resources is simplified (for example government contracts) (Ntim, 2013).

In a study by Owusu and Weir (2016), the impact of corporate governance aspects wholly, on the financial performance of firms in Ghana, a developing country under study in this paper, prior and post to implementation of a code of governance was examined. The outcome reflected that the introduction of the code, increased compliance with governance guidelines, and improved financial performance (controlling for the impact of endogeneity), which filters into increased investor confidence and competitiveness for the country (Owusu & Weir, 2016). The latter is essential in light of the increase in international competitiveness resulting from globalisation. The specific indicators of performance looked at were ROE, ROA and Tobin's Q.

On an international level, Ho (2005) found that most global companies have good corporate governance and that applying holistic corporate governance practices leads to firm competitiveness, in the sphere of competitive potential, management processes and performance indicators such as ROA, profit growth, and Return on Equity (ROE). This resonates with Ueng (2016)'s argument, on the positive correlation between quality corporate governance holistically and firm performance.

- Specific corporate governance aspects and firm performance

Ethics in business and firm performance have historically been seen as mutually exclusive occurrences (Eisenbeiss, van Knippenberg, & Fahrbach, 2015). Chun, Shin, Choi, and Kim (2013), studied the relationship between corporate ethics and financial performance in an emerging market, and noted that most studies on the topic had an external perspective on the correlation between the two variables, in that financial performance is facilitated by external stakeholder trust and confidence resulting from the

prominence of a company's ethics. Chun et al. (2013) thus presented a study on linking the internal ethics of a company to its performance, and found that a more prominent ethics culture, leads to greater employee commitment, citizenship and positive workplace behaviour thus filtering to higher financial performance specifically operating ROA. Both external and internal perspectives show an indirect relationship between corporate ethics and financial performance, bridged by external stakeholders and employees respectively. With regards to CEO ethical leadership and financial performance Eisenbeiss et al. (2015), argued that such leadership leads to firm performance (higher Earnings before interest and tax (EBIT), Revenue per employee and earnings per share (EPS) through encouraging an ethics culture, supported by a strong ethics governance system.

Another topical area within the context of corporate governance and financial performance, which has had conflicting outcomes is the relationship between board independence and firm performance. Bhagat and Bolton (2008) strongly argued that board independence and operating performance, such as ROA, Tobin's Q and stock returns, are not correlated, and that this aspect of corporate governance is only important for addressing poor performance by management. However as argued by Muniandy and Hillier (2015), developing economies like South Africa require board independence together with growth potential to facilitate investor confidence, which as mentioned before, is a contributor to financial performance. Muniandy and Hillier (2015) specifically look at operating performance, as measured by ROA.

Rambajan (2011), also studied selected dynamics of board structures as stipulated by the King III in South Africa, in relation to financial performance indicators such as ROE and ROA. The study established that the majority of the variables selected relating to boards correlated with financial performance, namely board independence which provides stronger monitoring, presence and composition of the remuneration committee which provides objectivity for stakeholders, and larger boards with the right expertise.

In light of the above studies, this research project aimed to understand whether the relationship between corporate governance practices and financial performance is sustainable in countries with weak state transparency. The table below summarises the governance-performance studies, analysed in this section:

Table 1 : Summary of governance-performance studies

Author (s) and year	Institutional Context	Corporate governance aspects (Independent variable)	Finance performance indicators (Dependent variable)	Conclusion
Klapper & Love (2004)	**Developing:** Emerging markets e.g. Brazil, Turkey, Chile	Firm-level corporate governance	ROA Tobin's Q	**Positive correlation** with operating performance and market valuation
Ho (2005)	**Developed and developing:** US International companies with operations in OECD countries	Holistic corporate governance practices	ROA, ROE Profit growth Sales growth Market share Market capitalisation Foreign sales Stock price EPS growth	**Positive correlation** corporate governance enables efficient capital use and investor confidence
Bhagat & Bolton (2008)	**Developed:** USA	Board independence	ROA Tobin's Q Stock returns	**Negative correlation** - only essential for addressing poor performance
Rambajan (2011)	**Developing:** South Africa	Board structures (King III)	ROE ROA	**Positive correlation** Board independence and size
Chun et al. (2013)	**Developing:** Emerging markets – Korea	Corporate ethics	Operating ROA	**Positive relationship** exists
Ntim (2013)	**Developing:** South Africa – SA listed firms	Corporate governance stakeholder practices	ROA Tobin's Q	Statistically significant and **positive association**
Eisenbeiss et al. (2015)	**Developed:** Europe	CEO ethical leadership	EBIT Revenue per employee EPS	**Indirect relationship exists** (requires a strong corporate ethics program)
Muniandy & Hillier (2015)	**Developing:** South Africa	Board Independence	ROA	**Positive relationship** if growth exists
Owusu & Weir (2016)	**Developing:** Ghana –Ghana listed firms	Introduction of the Ghana code of governance - all aspects	ROA ROE Tobin's Q	**Positive correlation** between increased compliance and financial performance
Ueng (2016)	**Developed:** USA – firms in Corporate Library	Corporate governance policies - quality	Stock returns	**Indirect relationship** exists

Source: Own compilation

2.4 Multinational company dynamics

2.4.1 Globalisation and multinational companies

Liberalised economic activity gave rise to globalisation, which has had positive and negative social and economic outcomes worldwide (Ion, 2015). In this regard, actions by multinational companies have had far reaching and profound economic impacts such as financial crises, through exploiting weaknesses in countries' institutional systems (Ion 2015). Based on their influence multinational companies are an important component of globalised markets and economies (Dischinger & Knoll, 2014). They generate the most value for society, whilst being the main beneficiary of such value, created through their investments and activities (Ion, 2015).

Expansion of multinational companies which was once limited to developed countries, has spread into developing countries like Nigeria, proven to have high-revenue potential (Ion, 2015). However institutional factors in the environment, discussed in detail in Section 2.5, including corruption, have affected such expansion, as they bear high costs for multinational firms (Ion, 2015). For example, in 2016 although capital investments in Africa increased, the number of foreign direct investment (FDI) projects and jobs created through FDI, decreased by 12.3% and 13.1% respectively, due to the uncertain political landscape (Ernst & Young, 2017). This insinuates that developing countries might lose out on the benefits that multinational companies have to offer, such as resources, capital, good commercial practices and employment, due to their weak institutions (Hopper, Lassou & Soobaroyen, 2016).

Countering this, is the argument that some multinational companies still invest in such nations despite the presence of institutional weaknesses, and exploit these gaps to maximise profit. Spencer and Gomez (2011), found a positive correlation between a host country's environment in terms of corruption, and the pressures that multinational companies' subsidiaries face, to succumb to corruption-related activities such as bribery. As such, multinational companies have experienced a deteriorating image over the past few years, with regards to exploitation of natural resources and pollution (Ion, 2015). Although they stimulate developing countries' economies through their investment, their operations may well negatively impact society.

Thus Ion (2015) fittingly described multinational firms as necessary evils. Hopper et al., (2016) reinforced this, through their assertion that developing countries such as those under study in this paper, face difficulties in regulating multinational companies, as the countries lack the necessary regulatory systems, resources and expertise. This has

raised the need for multinational companies to improve their image through engaging in better ethical practices and social activities (Ion, 2015), which speaks to good governance. Thus part of this study, focused on the level of governance practices adopted by multinational companies in developing countries.

2.4.2 Governance in multinational companies

Increased governance pressures globally, have incited multinational companies to practice more stringent policies in terms of ethics, accountability and transparency (Kolk, 2008). With the relationship between corruption and inequality in developing countries being pertinent, (Transparency International, 2017), it has become increasingly important for multinational companies to practice sound corporate governance to alleviate negative impacts on society. This resonates with the stakeholder view, an underlying theme of corporate governance reform internationally over the past decade.

In a study performed by Kolk (2008) over 250 Global Fortune 500 companies' sustainability reports, it was found that some global companies disclosed that they had committees for ethics and social responsibility, while many had at least a code of ethics. The latter has become even more prominent, within developing market multinational companies, including sustainability reporting, to strengthen their credibility and investor confidence (Doh, Husted & Yang, 2016). Barnard (2014), argued that developing market multinational companies have the task of legitimation in the view of their stakeholders for value creation.

Due to the heightened focus on business ethics, an ongoing corporate governance debate was whether the Anglo-American Model (shareholder value maximisation) or Nippon-Germano Model (stakeholder benefit maximisation) is more successful for corporate governance (Bhasa, 2004). Bhasa (2004) rightly argues that the former is not viable with globalisation and multinationals seeking long-run profitability. The latter defines good corporate governance, drives investor confidence and increase in resources and capital for growth (Kumar & Zattoni, 2014).

Stakeholder matters which multinational companies need to factor into their governance practices include the environmental impact of their operations, labour relations and anticorruption (Park & Berger-Walliser, 2015). This can be implemented through corporate social responsibility (CSR), defined as actions to address social, environmental and ethical obligations in operating environments (Park & Berger-Walliser, 2015). Such CSR enhances reputation and attracts investors, while strengthening corporate governance practices including sustainability (Park & Berger-Walliser, 2015). Doh et al. (2016), support this with their assertion that, governments

have been recording increases in CSR and CSR reporting, by developing market multinational companies, who wish to attain these benefits and increase their international competitiveness.

Based on this, the author of this research contends that it is imperative for multinationals to understand stakeholders in their operating environments. Furthermore, it is contended that stakeholders are a key variable of favourable performance therein. The OECD Guidelines for multinational enterprises (2011) echo the importance of stakeholder consideration, outlining that multinational companies should self-regulate to form relationships of confidence with stakeholders. This through managing stakeholder-related issues in countries of operation, such as employment and industrial relations, human rights, environment considerations, anti-bribery and consumer interests (OECD, 2011).

2.4.3 Home country influences on corporate governance

Drawing focus on the expansion of multinational companies, described as multinationality or internationalisation by Geleilate et al. (2016), these authors argued that the positive relationship between greater internationalisation and firm performance, is impacted by institutional factors in the home country (country of origination) of the multinational company. Thus the expansion-performance relationship of developing market multinational companies as compared to developed market multinational companies is lower, due to home country institutional weaknesses, such as corruption and weak regulatory systems (Geleilate et al., 2016).

The latter connects to Barnard's (2014) argument, around legitimation of emerging market multinational companies for value creation. It is argued as being key given its influence on stakeholder confidence, and due to weak home country institutions from which emerging market multinational companies originate from (Barnard, 2014). In this regard, it is argued that developed markets function efficiently, with strong regulatory systems, which support international competitiveness, capabilities and reputation buildup of developed market multinational companies (Geleilate et al., 2016). Wei and Nguyen (2017), therefore contended that developing market multinational companies should have responsive strategies that overcome home country institutional inhibitions, to their global competitiveness.

In light of this, it was argued that multinational companies filter their home country structures and policies including corporate governance, to their worldwide subsidiary operations, described as global management systems (Ion, 2015). A key aspect of this study was whether this is sustainable for subsidiaries in countries with weak state

transparency. Spencer and Gomez (2011) suggested that multinational companies from strong institutional environments more likely adopt strong internal governance processes worldwide, that avert corruption. The ensuing section analyses literature on corporate governance and country environment influences.

2.5 Host countries and corporate governance

2.5.1 Institutional theory in emerging markets

As mentioned before, the economic perspective of institutions is used in this study, referring to state bodies and governments. The World Economic Forum (2016) portrays the institutional pillar, particularly legal and regulatory frameworks, as an important driver of global competitiveness and growth of a country. Institutional theory has thus become topical in recent years, with regards to emerging markets, and is described as a country's environmental influences, which impact business practices (Rottig, 2016). The theory therefore provides a basis through which the institutional dynamics of developed countries can be analysed, in comparison to those of developing countries (Rottig, 2016). The table below reflects classification of the countries of analysis in this study into the two main categories of developed and developing countries.

Table 2 : Country classification – developed and developing countries

Developed markets	Developing markets
United States of America United Kingdom	Angola Brazil Ghana Nigeria South Africa

Source: Adapted from United Nations (2016): World Economic Situation and Prospects

As mentioned in Chapter One, emerging markets are those countries where return on investments would be substantial, however with a high level of risk, and these together with less-advanced frontier markets are encapsulated under the main heading of developing markets (Financial Times, n.d.). In this regard, Brazil and South Africa are classified as emerging markets, while Nigeria and Ghana are classified as frontier markets (FTSE Russell, 2016).

Osemeke and Adegbite (2016) reported that institutional aspects in developing countries, namely, social norms, regulations and political factors influence the type and extent of internal governance practices of companies operating in the environment. In the same breadth, Brown et al. (2011) found that such factors influence the development of corporate governance codes on a country level. From this, the author of this research deduces that good governance is more likely to be present in countries with efficient legal

and regulatory systems, democracy and high foreign investment. The latter aligns to Brown et al.'s (2011) argument. Developing countries however, now face pressure to adopt good corporate governance due to globalisation (Owusu & Weir, 2016), which has increased international competition.

Wu (2005) aptly summarised that the relationship between corporate governance and corruption is relevant in developing countries, as poor corporate governance lays the ground for corruption therein. Chun et al. (2013), also argued that state and domestic company goals in emerging markets usually lean towards profit maximisation, to make the economy more competitive internationally, thereby offsetting ethical practices and resulting in weak corporate governance. A further argument made by Bremmer (2014), was that state capitalism exists in developing countries which distorts the free market principle that facilitates globalisation. Such state capitalism culminates into corruption, where country leaders strive to protect their personal wealth and political power, at the expense of advancing the economy and society's living standards (Bremmer, 2014).

Linking this to multinational companies, the primary argument is that they face significant pressures in countries with weak institutional environments to conform to national practices, through which they can gain acceptance, the latter being a crucial input to their economic advancement and growth (Spencer & Gomez, 2011; Rottig, 2016). Bremmer (2014), further argued that those multinational companies who wish to partake in such autocratic economies, compete with domestic companies that have full support from the state. Thus if organisations do not confirm to the nuances of the operating environment, they are likely to lose support from stakeholders in society, thus compromising their success (Rottig, 2016). For these reasons, Geleilate et al. (2016) and Pattnaik et al. (2015), relevantly argued that institutional impacts of host countries on the performance of multinational companies, are particularly important in international business today.

Spencer and Gomez (2011), drew upon three types of areas from which multinational companies face pressures to confirm to the operating environments with high corruption and weak institutions, namely:

- Coercive – pressures from authorities
- Normative – pressures from societal norms
- Mimetic – pressures from companies doing well in the same field

This means that conflict might arise between what subsidiaries actually do, for example yielding to corruption pressures such as bribery, and what headquarters in the home country expect them to practice in terms of corporate governance (Spencer & Gomez,

2011). For example, Rottig (2016), and Pattnaik et al. (2015), argued that developing markets consist informal institutions which base business on social networks, and defeat the effective functioning of capital markets. In light of this, multinational companies may fall pressure to confirm to unethical business methods, thus incurring high transactional costs (Pattnaik et al., 2015) to partake in the economy. The author of this study, therefore deems it imperative for leaders of multinational companies to understand the institutional environment of their operations particularly in developing countries. This may be aligned with what was described by Rottig (2016, p9), as “contextual intelligence”. With this comes the importance for leaders of multinational companies to realise that, competences that benefit the company in one market, do not necessarily do the same for another market (Pattnaik et al., 2015), The author of this study viewed this may be particularly true for emerging markets, and may be even more significant for subsidiaries operating in economies that rank low on the transparency index.

In terms of conforming to operating environment influences, Bremmer (2014) clarified that a balance is required between adhering to corporate governance practices from the home country and factoring in host country dynamics into practices, as sitting on extreme ends of the spectrum has negative implications on performance. On one end, ignoring host country institutional dynamics may reduce political risk but result in market share loss to other companies, while adapting practices to factor in host country institutional dynamics may increase profitability but in the short-term (Bremmer, 2014).

Rottig (2016) specifically illustrated three different ways in which multinational companies can adapt to institutional factors in the operating environment as follows:

- Political adaptability – adapting to the level of government influence through forming relationships, to gain acceptance or legitimacy in the environment
- Economic adaptability – adapting to the uncertainties in the business environment due to informal institutions, and inefficient capital markets, through building up social capital
- Social adaptability – adapting to the social needs in the environment through corporate social responsibility and partnering with local social institutions such as labour unions

Through understanding markets, multinational companies can develop responses to institutional voids, which offset the results of these adversities (Rottig, 2016; Pattnaik et al., 2015). On the other hand, developed countries have strong institutions including independent judicial systems that support an efficient capital market mechanism, thus promoting fair competition for multinational companies (Pattnaik et al., 2015).

2.5.2 Host country governance systems

The host countries analysed as part of the study are the UK, Nigeria, South Africa, Ghana and Brazil. Bhasa (2004) presented different country governance systems and analysed their influence on internal governance of corporations operating therein, as below:

i. Market centric models (Outsider system) – markets are strong with investor protection therefore there is diversified shareholder based (widely diffused) ownership structures
ii. Relationship-based governance (Insider system) – concentrated ownership structure where shareholders are involved in day to day operations
iii. Transitional governance systems – consists of weak but emerging markets which have poor protection of investors. Typically newly independent countries which attempt to apply a mix of insider and outsider systems to overcome weaknesses in both structures.
iv. Emerging governance system – consists of both cross-ownership and concentrated ownership, as well as strong markets.

With regards to the above, Bhasa (2004) found that the market centric model was at the center of corporate scandals such as Worldcom and Enron as it promotes insider trading and managerial actions that go against shareholder goals, due to the diffused structure that amplifies the agency problem. On the other hand, relationship-based governance does not bare the agency cost problem as ownership and control are not separated, however the model is characterized by weak capital markets (Bhasa, 2004).

The transitional governance system was noted to increase growth in some countries (Bhasa, 2004). The developing countries of primary study in this paper, tend to be transitional governance systems, with their weak markets and institutions. In relation to the emerging governance system, Bhasa (2004) argued that a key positive feature of the system is government's active involvement in promoting corporate governance. The latter is fueled by the need to build investor confidence in emerging markets, to stimulate capital, growth and international competitiveness of such markets.

Bhasa (2004) and Ahmad and Omar (2016), drew an analogy of the above models to two main country governance systems. Ahmad and Omar (2016), also studied these two primary country governance models, namely the Anglo-Saxon (Shareholder) model, and the Continental European model (Stakeholder) model. The latter is similar to the Nippon-Germano model presented by Bhasa (2004). A third model, the hybrid model, was also presented by Ahmad and Omar (2016), which incorporates the positive characteristics of the two principal models. Ahmad and Omar (2016), argued that various models

presented by different authors such as Bhasa, utilise an alternative name or derive from the principal two models. The table below categorizes the four governance models presented by Bhasa (2004), into the shareholder or stakeholder models.

Table 3 : Summary of Country governance models

	Shareholder: Anglo-Saxon Model	**Stakeholder : Continental European or Nippon-Germano Model**	**Shareholder and Stakeholder : Hybrid**
Key characteristics	Outsider system; Regulations to protect investors' rights; widely diffused ownership structures; strong capital markets	Insider system; Highly concentrated ownership; bank and financial institutions ownership; weak capital markets	Mix of insider and outsider system
Parallel Governance models	Market centric model; Equity-based model; Principal-agent model; Outsider model; Finance model.	Relationship-based governance; Network-oriented model.	Transitional governance; Emerging governance system.
Country examples	USA, UK, Netherlands, Switzerland.	Japan, Germany, France	East European countries

Adapted from Bhasa (2004); Meier and Meier (2014); Ahmad and Omar (2016)

Despite some countries such as the UK and the USA falling in the same category, they still have different accounting and reporting requirements (Ahmad & Omar, 2016), which would impact the progression towards harmonisation (Meier and Meier, 2014). For example, in the USA, CEO (chief executive officer) duality is permitted, while in the UK it is not permitted. Furthermore within the general Continental European or stakeholder model, differences also exist with ownership structure and board compositions across the countries categorized thereunder (Ahmad & Omar, 2016).

Bhasa (2004), and Meier and Meier (2014), argued that the difference in political practices in countries and regulatory factors, renders it difficult for countries to adapt to a global practice, concept described as path dependence. In this regard, Rottig (2016), stressed the importance of the influence that governments have in the country governance systems, and the importance for international companies to understand these systems of markets prior to entry. Through this they can adjust their entry strategies and corporate governance practices accordingly (Luiz & Stewart, 2014; Rottig, 2016). The latter analysis insinuates that an international best practice of corporate

governance between countries cannot be adopted. Globalisation has sparked widespread debates on whether such international best practice, referred to as convergence, can be applied across countries (Brown et al., 2011).

Ho (2005) described some of the models that have emerged unfolding the impact of globalisation on corporate governance namely:

i. Convergence Model – corporate governance rules and practices eventually harmonise to form international best practice followed by all countries.
ii. Path-dependence Model – corporate governance practices in-country are based on a country's history including political influences.
iii. Hybrid Model – a combination of the above two models, where both international practices and country-specific practices are used.

Results from the study are reviewed in Chapter Six to corroborate the governance systems of the countries under analysis, and suggest the model depicting the direction of current world governance. Wu (2005) argued that, although globalisation facilitates convergence of corporate governance practices, it also heightens competition thereby exerting pressures on companies to engage in unethical practices for survival. In light of this, the country analysis is augmented by the analysis of corporate governance practices of the multinational company's subsidiaries operating in the countries.

2.6 Summary of literature review

The following emerged as pertinent aspects from each section of the literature review presented, as a basis for the research questions and hypotheses in the ensuing chapter:

- Corporate governance has progressed internationally particularly in developed countries (Owusu & Weir, 2016). However, a number of developing countries such as those in Africa and Latin America (Rottig, 2016), have immature governance systems and face institutional challenges in adopting international best practice of corporate governance.
- Given the focus on corporate governance, various studies have illustrated the positive impact of good governance practices on organisational financial performance. The evolving stakeholder approach to governance has become topical (OECD, 2015), in light of re-occurring governance failures globally, which were centered on ethical malpractices.
- As globalisation rapidly rises, so does the expansion of multinational companies' into developing countries (Ion, 2015). The social challenges that these countries face, including corruption and inequality (Transparency International, 2017), call

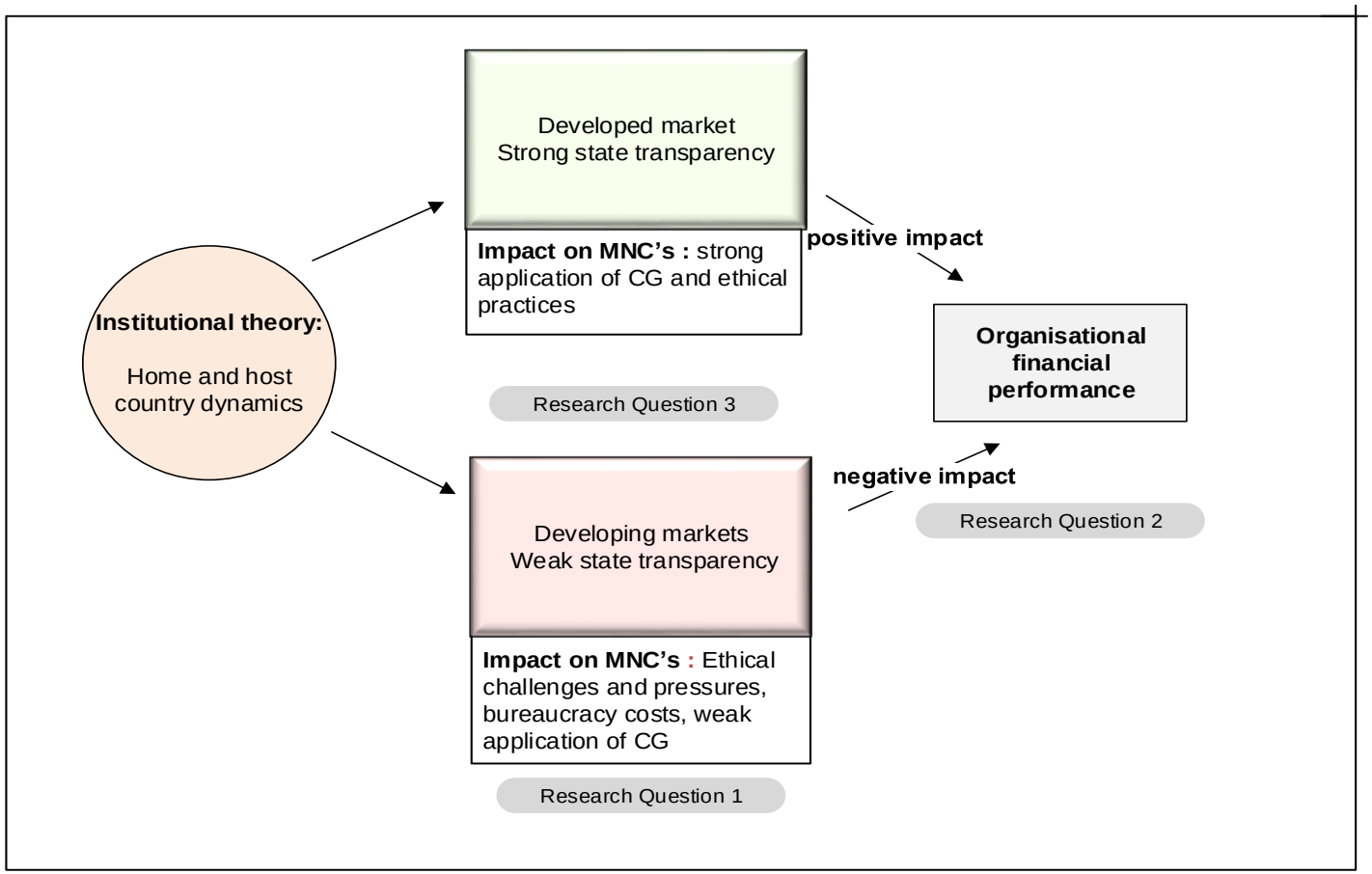
for ethical practices from multinational companies, to alleviate social disparities. Corporate governance is essential for efficient allocation of resources in such countries (Agyemang & Castellini, 2015). In light of this, multinational companies are known to adopt a standard governance systems from developed countries, to operations in developing countries (Spencer & Gomez, 2011; Ion, 2015).

- However, the range of institutional dynamics between developed and developing countries (Owusu & Weir, 2016), brings in the argument of whether convergence to an international best practice of governance is possible. Furthermore, institutional theory, introduces the need for multinational companies to understand and adapt to each environment tactfully (Luiz & Stewart, 2014; Rottig, 2016). Multinational companies therefore face pressures to conform to weak governance systems in developing countries, which carry ethical loopholes (Spencer & Gomez, 2011; Rottig, 2016).

These aspects frame the underlying research problem of this study. This investigation of existing literature showed that previous studies of multinational companies, are predominantly on the interplay between their subsidiary strategies and emerging or developing country influences. This study extends existing literature, through exploring the impact of these influences on internal corporate governance aspects, in unison with financial performance.

Figure 2 reflects the theoretical framework embodying the pertinent aspects of the literature view, underlying the research problem, and the areas which triggered the research questions presented in the ensuing Chapter Three.

Figure 2 : Theoretical research framework



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3 RESEARCH QUESTIONS

3.1 Introduction

Chapter Two introduced existing literature, principally exploring the ongoing requisite for corporate governance enhancement globally. This included results of previous studies, demonstrating the importance of sound corporate governance practices, for favourable financial performance. Furthermore, the status of corporate governance frameworks for the countries under study was presented, as a basis for introducing inherent strengths and limitations therein, which support the discussions in Chapter Five.

The fundamental aspects underlying this study were also explored, being multinational companies, their governance practices, and host country institutional aspects which impact their strategic and governance direction. The latter revealed the academic gap pursued by this research: to determine whether subsidiaries of multinational companies, apply a high level of corporate governance practices in countries with weak state transparency, and the consequential impact on financial performance.

3.2 Research questions

Clough and Nutbrown (2012), argued that research questions should not be too broad, limiting or sensitive (Goldilocks test). Alvesson and Sandberg (2013), additionally argued that research questions should enhance existing literature, by challenging it or offering different insights. The research questions for this study embodied these attributes, as they challenged the literature on corporate governance and financial performance, by introducing the institutional theory dynamic. The questions designed were principally explanatory and comparative, as they explored the relationship between selected phenomena and their features, including contingent relations (Alvesson & Sandberg, 2013). Based on the research aim, and parallel to the research objectives and literature presented, the following research questions and hypotheses were explored:

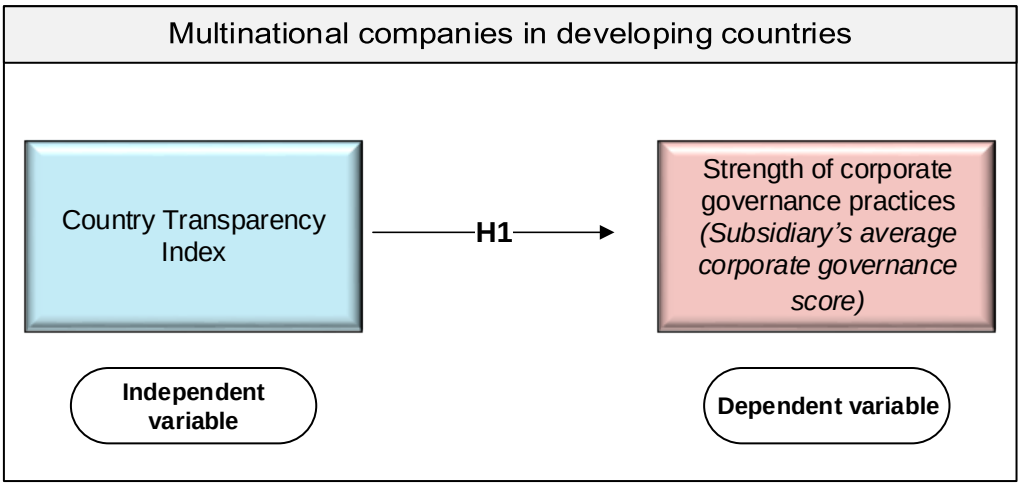
3.2.1 Research question one

Do multinational companies conform to strong levels of corporate governance practices, in operating environments with weak state transparency?

$H1_o$ The null hypothesis is that there is no correlation between corporate governance scores of multinational companies' subsidiaries, and the transparency index in developing countries of operation.

$H1_1$ The alternate hypothesis is that there is a correlation between the corporate governance scores of multinational companies' subsidiaries, and the transparency index in developing countries of operation.

Figure 3 : Research question one hypothesis structure



Source: Own compilation

The hypothesis was explored for each aspect of corporate governance in Chapter Five. The results on a country level were benchmarked against the Corporate Governance Index (IIASA, 2016). The index is discussed further in section 4.5.3.

3.2.2 Research question two

Do stronger corporate governance practices by subsidiaries of multinational companies, correlate with financial performance in operating environments deemed to have weak state transparency?

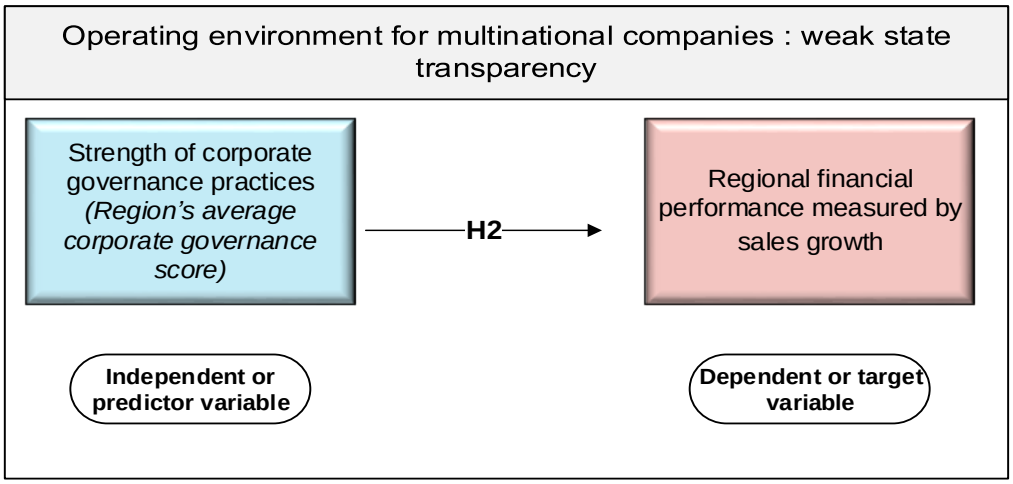
This study used sales growth as a proxy indicator of financial performance. Brown and Caylor (2004) identified sales growth as a measure of operating performance, as are the return on equity and profit margin ratios.

- **Corporate (internal) governance and financial performance**

$H2_o$ The null hypothesis is that there is no correlation between stronger internal corporate governance practices by subsidiaries of multinationals, and sales growth, in countries with weak state transparency.

$H2_1$ The alternate hypothesis is that there is a correlation between stronger internal corporate governance practices by subsidiaries of multinationals, and sales growth, in countries with weak state transparency

Figure 4 : Research question two hypothesis structure



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Research Question Two was supported by both correlation (association) and regression (prediction) tests between corporate governance of subsidiaries and sales growth.

- **Transparency index (external governance) and financial performance**

To enhance the exploration of the interplay between internal governance and external governance, and its impact thereof on financial performance, analysis of the relationship between external governance (transparency index) and operating performance was performed, based on the following hypothesis:

$H2A_o$ The null hypothesis is that there is no correlation between the transparency index and sales growth in weak operating environments.

$H2A_1$ There alternate hypothesis is that there is a correlation between the transparency index and sales growth in weak operating environments.

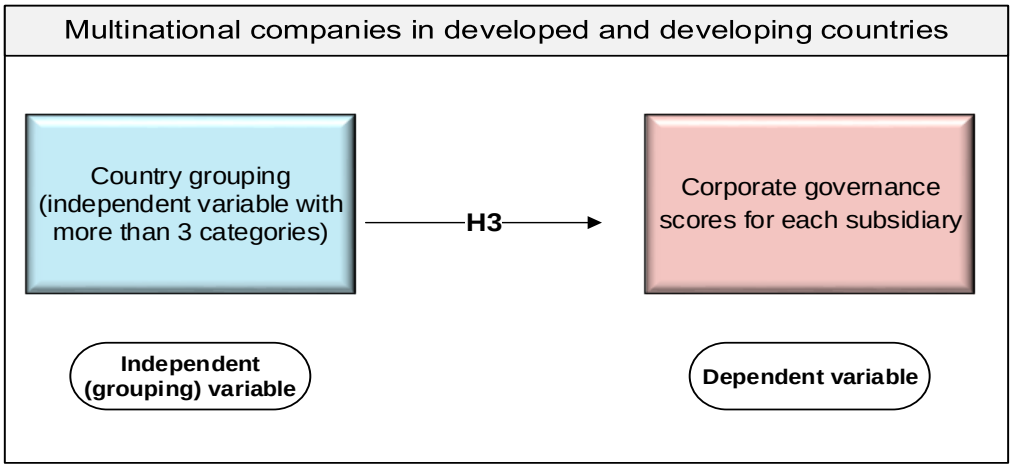
3.2.3 Research question three

Are there differences in Corporate Governance performance levels required across regions in which a multinational's subsidiaries operate? (Note that this speaks to the appropriateness of centrally managing governance and applying one standard across regions of operations)

$H3_o$ The null hypothesis is that the average level of corporate governance practices for multinational companies, across countries of operation is the same.

$H3_1$ The alternate hypothesis is that at least one country has a different level of corporate governance practices.

Figure 5 : Research question three hypothesis structure



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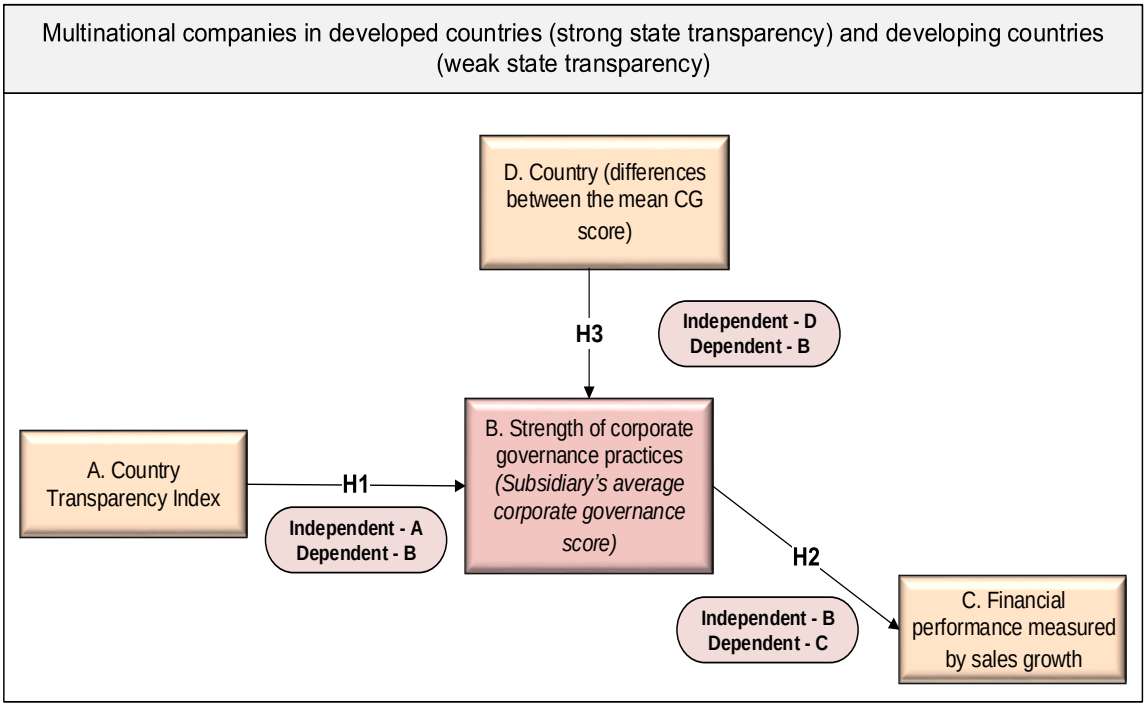
3.3 Conclusion

Alvesson and Sandberg (2013) justly argued that research questions are derived within a specific perspective, which hypothesises the subject area in a specific way. As illustrated by the research questions, the study's focus was on the impact of weak operating environments, on corporate governance practices of multinational subsidiaries. Qualitative data collected from open-ended questions in the questionnaire, supplemented the analysis of results from the hypotheses tested. The framework below provides a combined understanding of the hypotheses and the study's research focus.

Figure 6 : Overall hypotheses framework



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4 RESEARCH METHODOLOGY AND DESIGN

4.1 Introduction

The study was largely quantitative, with a small qualitative component to provide an enriched understanding of the quantitative data. The research design, sampling methodologies, analysis approach and limitations, are detailed in the ensuing sections.

4.2 Research design

4.2.1 Research philosophy

Four philosophical views describe a researcher's assumptions about the immediate and broader environment, thus influencing the research approach and strategy, namely, positivism, realism, interpretivism and pragmatism (Saunders & Lewis, 2012). Pragmatism was applied to this study, as it placed importance on the research objectives and questions (Saunders & Lewis, 2012), in Chapters One and Three respectively.

4.2.2 Research approach and applied studies

The study's research approach was deductive, through testing the relationship between corporate governance and financial performance within a defined context, that is, countries with weak state transparency. A deductive research approach involves testing theoretical propositions with a specifically designed research strategy (Saunders & Lewis, 2012). In contrast, an inductive approach involves developing theory from data previously collected (Saunders & Lewis, 2012).

The study methods applied were descriptive, explanatory and exploratory. Descriptive studies involve collection and analysis of measurable data, while explanatory studies involve examining data collected for relationships between variables therein (Saunders & Lewis, 2012). The quantitative aspect of this research was characterised by these studies. Its aim was to determine the relationships between corporate governance, operating environments and defined financial performance indicators of multinational companies. The small qualitative component of the study entailed an exploratory dimension (Saunders & Lewis, 2012), to enhance the understanding of institutional contexts in which multinationals operate.

4.2.3 Research strategy and choice

Saunders and Lewis (2012) outlined various research strategies, such as experiments, archival research, surveys, case studies, and grounded theory. Both quantitative and qualitative aspects of this study, were facilitated by means of a survey, which involved

collection of data in the form of a questionnaire. A Likert scale and open-ended questions were adopted for the quantitative and qualitative aspects respectively. Archival research in the form of existing financial records as a data source (Saunders & Lewis, 2012) was applied, in analysing financial performance of multinational under study.

Despite the quantitative aspect making up the larger part of the study, the research choice was a mixed-method design, combining a qualitative and quantitative approach. A mixed approach is advantageous as using qualitative methods to explain relationships between quantitative variables provides strong evidence of research outcomes thus increasing validity of conclusions (Saunders & Lewis, 2012).

4.2.4 Time horizon

A cross-sectional study, that is, research performed at a specific point in time (Zikmund, Babin, Carr, & Griffin, 2013) was adopted for this study, incorporating survey results and financial performance indicators. Longitudinal studies, which analyse a topic over an extended time period (Saunders & Lewis, 2012), is not applicable to this research.

4.3 Population and unit of analysis

Population refers to a complete set of items from which a sample is selected (Saunders & Lewis, 2012). The population for this study was multinational companies, while the unit of analysis was their subsidiaries.

4.4 Sampling method and size

A sample is a sub-section of the population that is selected and tested, due to the impracticality of testing the whole population (Saunders & Lewis, 2012). The sampling technique for the study was non-probability sampling, a technique used when a complete list of the population (sampling frame) is not available (Saunders & Lewis, 2012). In the case of this study, it was deemed not feasible to obtain a complete list of subsidiaries of multinational companies, operating in countries with deemed weak state transparency.

One specific non-probability sampling technique applied was purposive sampling, where a single multinational company and its subsidiaries were selected to suit the research objectives (Saunders & Lewis, 2012). This sampling type allows understanding of concepts and inferring of logical generalisations (Saunders & Lewis, 2012), however has the disadvantage of potentially being subjective or biased in sample selection (Lavrakas, 2008). The type of purposive sampling to select the multinational company and its subsidiaries for the study was typical case, referring to an illustrative, typical sample, which is representative of the population (Saunders & Lewis, 2012).

4.4.1 Sampling: multinational company

The American multinational company selected for this study was deemed representative of multinational companies, as it is a well-established Fortune 500 company, with subsidiaries operating in countries with both strong and weak state transparency globally. For confidentiality reasons the name of the multinational company was not revealed, but referred to as Company A in the study. Multinational companies are defined as those which control production assets in more than four countries, and have the important characteristic of a large number of subsidiary companies (Hood & Birkinshaw, 2016). The multinational company studied is listed on the New York Stock Exchange, has manufacturing locations in more than four countries, and company-owned entities in a significant number of countries worldwide. Selection of this company had a convenience sampling aspect to the researcher (Wegner, 2016), who has access to the subsidiary operations required for the study.

4.4.2 Sampling: subsidiary operations

The subsidiary operations in two developed regions (Europe and North America) and two developing regions (Africa and Latin America), in which the multinational company operates, were analysed. For developing regions, operations in Angola, Ghana, South Africa, Nigeria and Brazil were deemed to be representative of operations in countries with weak state transparency, based on indicators by Transparency International, the World Bank and the Work Economic Forum (WEF). The average Corruption Perception Index for 2016 for the Sub-Saharan African region is 31 (Transparency International, 2017), indicating weak institutions, which is characteristic of African markets. The average score for the Americas (North and South) is 44, however the North American countries (United States and Canada) have above average transparency indices which distort this, as South American countries such as Brazil, Venezuela and Mexico, have low indices due to weak institutional frameworks (Transparency International, 2017).

The Global Competitiveness report (The WEF, 2016) ranks the competitiveness of 138 countries based on the institutional strength (One is the strongest, 138 is the weakest). Furthermore, The World Bank (2013) ranks countries out of six for transparency, accountability and corruption in the public sector, by measuring the extent to which a state body can be held accountable for its actions and the use of resources (One-low; Six–high). Table 4 presents these rankings, which further motivated the selection of the developing countries for this study. Where no rankings were found for the countries in the publications, this has been stated. Although South Africa and Ghana reflect better rankings for some aspects, the environments overall struggle with weak transparency.

Table 4 : Government transparency statistics - developing countries

Country	Public trust in politicians (WEF, 2016)	Favouritism in decisions of government officials (WEF, 2016)	Irregular payments and bribes (WEF,2016)	World Bank Transparency, accountability and corruption
South Africa	109/138	115/138	53/138	Not ranked
Nigeria	131/138	127/138	129/138	3.0/6 (2016)
Brazil	138/138	121/138	111/138	Not ranked
Ghana	67/138	83/138	109/138	3.0/6 (2016)
Angola	Not ranked	Not ranked	Not ranked	2.5/6 (2013)

Based on this, the purposive sampling technique for countries selected with weak state transparency, was critical case, as the sample was essential to the research purpose, and the topic was likely to occur in the sample selected (Saunders & Lewis, 2012).

4.4.3 Reliability of transparency index

The Corruption Perceptions Index (CPI) (Transparency International, 2017), was used as the primary basis to select the countries analysed in this study. Understanding the public sector corruption levels within these countries was imperative, in view of the context of the research centred on operating environments with weak state transparency. The transparency index was further relied on, for statistical tests performed in addressing the hypotheses presented in Chapter Three. In light of this, the methodology applied by Transparency International in developing the index was assessed for reliability. It incorporated the following appropriate factors (Transparency International, 2017):

- The index uses data sources which are consistent in the subject of measurement, and conform to similar criteria. Such criteria includes, the measurement of public sector corruption, data source from credible institutions, and the application of a valid and reliable methodology which uses one scale for all countries analysed by a data source.
- The source of the data used to compile the CPI for 2016, was from 13 reputable institutions measuring public sector corruption, such as The World Economic Forum Executive Opinion Survey and the African Development Bank Governance Ratings. Appendix 9.3 provides a further detail on the data sources.
- The data sources pertain to the immediate two year period leading up to 2016 and thus are deemed relevant. Transparency International standardises the data, by converting it to their CPI scale of 0-100 using statistical methods.
- Countries included by Transparency International in their assessments for the CPI, have at least three data sources from those in Appendix 9.3.

- The CPI makes use of confidence intervals and standard error rates to eliminate disparities, in varied scores used from the data sources for a specific country.

Based on the above factors Transparency International's CPI was deemed a reliable source for use with the data collected by means of a questionnaire, for this study. Section 4.4.4 proceeds to present the sampling methods for the respondents.

4.4.4 Sampling: survey

An aspect of purposive sampling was also applied with participants selected for the survey who were within easy access of the researcher. Functional and operational employees who are reasonably expected to have awareness of ethics and compliance, were requested to complete the survey. Snowball sampling (Wegner, 2016), also played a part in reaching the number of required responses per country, as the researcher asked identified participants to recommend other potential participants for the study, in their in-country network.

Non-probability sampling techniques such as quota, purposive, snowball and convenience sampling techniques do not represent the population statistically (Saunders & Lewis, 2012). For surveys, Wegner (2016) outlines that sample size must be at least 30 to minimise distortions in results from this, and that as sample size increases, the confidence interval is narrower. 205 surveys were collected for this research, which minimises potential distortions introduced by the sampling techniques, Refer to Section 4.6 for response outcome.

4.5 Measurement instrument and questionnaire design

The study used a questionnaire to collect primary data, incorporating a large number of questions on a quantitative spectrum, and a small number of qualitative questions (Refer to Appendix 9.1). The use of the questionnaire for the study was motivated by the following compelling reasons (Ghauri & Gronhaug, 2010; Zikmund et al., 2013; Wegner, 2016):

- Questionnaires allow for low cost data collection from a large number of respondents;
- Questionnaires are effective in focusing on specific phenomena, and obtaining attitudes and views from respondents on these easily;
- Questionnaires administered online allow for less data capturing errors and information collected is current;

- Lastly, questionnaires allow the collection of data that can be used to analyse causal relationships.

In terms of structure, the preamble to the questionnaire, introduced the research purpose and outlined the role and rights of the respondents. Section A of the survey aimed to obtain the demographics of the respondents, namely their base country, which is was essential as the study's underlying element, was operating environment influences (country). The other question in Section A, required the respondents' management level, to enhance the study, by analysing the relationship between the employee's level and their knowledge of corporate governance. Section 4.5.1 and 4.5.2, explore the questionnaire design for both the quantitative and qualitative aspects.

4.5.1 Quantitative study questionnaire design

Section B of the questionnaire, explored the perceived level of corporate governance practices applied in the subsidiary operations selected. A Likert scale was found suitable for the study, as it allows the use of a multi-faceted attitude scale, to gauge temperaments towards a certain topic (Welman & Kruger, 2001). The Likert scale was odd-numbered and ranged from one (strongly disagree) to five (strongly agree). Welman and Kruger (2001), argued that a Likert scale should include a balanced number of positive and negative attitudes, to minimise default yes or no answers, and oversight of question content.

The Likert scale in Table 5 was adapted from the scale used by the Corporate Governance Index (IIASA, 2016). The Corporate Governance Index is performed annually by the internationally reputable Institute of Internal Auditors South Africa. The index essentially and intentionally covers pertinent stipulations of the King Code of Corporate Governance, such as ethics, compliance, leadership and risk (IIASA, 2016). It evaluates corporate governance on a country basis by interviewing 242 chief audit executives from various sectors in South Africa (IIASA, 2016).

Table 5 : Likert scale descriptions

1	Strongly disagree
2	Slightly disagree
3	Neither disagree/agree (Not known)
4	Somewhat agree
5	Strongly agree

The quantitative questionnaire design, adopted the nine corporate governance dimensions presented by the King III (IODSA, 2009). 26 questions covering all categories were adapted from the King III (IODSA, 2009), and the Corporate Governance Index

2016 (Institute of Internal Auditors South Africa (IIASA), 2016). The Corporate Governance Index provides a well-established set of questions, which are widely used to assess a company's corporate governance maturity. The questions focused on key corporate governance matters, which would reasonably be known by respondents, without consultation from functional areas in the organisation. The nine categories covered are depicted in the Table 6 below:

Table 6 : Quantitative questionnaire design

Construct (Acronym)	Key areas addressed in questionnaire
1. Ethical leadership and corporate citizenship (ELCC)	- Existence of code of conduct - Ethical tone of leadership and organisational culture
2. Board and Directors (BD)	Leadership responsibility for: - Internal controls and compliance - Impact of strategy on environment and stakeholders - Corporate governance
3. Audit committee (AC)	Existence of an audit committee with oversight on aspects such as internal controls, risk, internal and external audit,
4. The Governance of risk (RG)	- Existence of risk management function - Communication of risk - Framework for unpredicted risk
5. The Governance of IT (ITG)	- Existence of IT policy and controls - Leadership enforcement of IT policies and controls - Alignment of IT to organisational strategy
6. Compliance with laws, rules, codes and standards (COM)	- Existence of compliance oversight function - Existence of policies on anti-bribery and corruption - Integration of compliance with ethics
7. Internal Audit (IA)	Existence of an internal audit function that reviews risks, internal controls and reports objectively.
8. Governing stakeholder relationships (SRG)	- Emphasis on stakeholders in decision-making - Existence of stakeholder communication programme - Undertaking of corporate social responsibility programmes
9. Integrated reporting and disclosure (IRD)	Reporting on non-financial aspects Reporting on negative and positive impacts of operations

Adapted from King III (IODSA, 2009) and Corporate Governance Index (IIASA, 2016)

4.5.2 Qualitative study questionnaire design

To add an exploratory aspect to the research, three open-ended questions were included in the questionnaire (Section C). The aim was to gain insights on the general business environment of countries under study, to enhance the quantitative data analysis and literature review. Insights on the level of state laws and regulations, and ethical awareness in the business environment were sought. Additionally, clarification of terminology, such as transparency, across the countries selected was sought. Lavrakas (2008) aptly argued that open-ended questions have the advantage of giving

individualised and specific data, clarifying terminology, and providing new perspectives. Table 7 reflects the qualitative questions included in the questionnaire, the objective of their inclusion and reference to the literature discussions in Chapter Two.

Table 7 : Qualitative questionnaire design

Qualitative Question	Study objective	Literature
What are some of the external factors in the country's operating environment that challenge ethical practices within your organisation?	To explore further, the type of operating environment influences impacting corporate governance practices of multinational companies.	Chapter Two, section five
How effective are government laws in regulating companies operating within the country on issues related to transparency?	To explore further, the impact of the quality of government laws on the level of corporate governance in multinational companies in the specific countries.	Chapter Two, section five
Is there a high/medium/low ethical awareness in the business environment of the country? What is the impact of the selected level of ethical awareness on business practices in the environment?	To discern the general perception of ethics in the business environment, as a support to the results of the quantitative analysis (correlation analysis).	Chapter Two, section five

4.5.3 Measurement basis – corporate governance

Various studies analysed measurement variables for sound corporate governance. Simberova, Kocmanova, Nemecek (2012) drew from several corporate governance principles, a model of indicators to measure and enforce good corporate governance, and increase investor confidence. Indicators included, the degree of ownership concentration, representation on the board of directors, stakeholder engagement, and conduct and risk (Simberova et al., 2012). The OECD Principles of Corporate Governance (2015), also provide a global benchmark for sound corporate governance focusing on stakeholder rights and responsibilities of the board. These aspects are also covered by King III (IODSA, 2009).

Thus, as mentioned before, the corporate governance variables in the questionnaire for this study, were adapted from King III (IODSA, 2009) and the Corporate Governance Index (CGI) published by the Institute of Internal Auditors South Africa (2016). The Likert scale was appropriately adapted into the corporate governance measurement scale in

Table 8, against which average corporate governance scores of countries in this study, were assessed. Note that average scores for countries, are also referred to as governance indices for this study. Chapter Five discusses these results.

Table 8 : Corporate governance measurement scale

1 - Very low	3 – Moderate	5 – Very strong
2 - Low	4 – Strong	

4.6 Data collection

Data was collected for the study, using the questionnaire in Appendix 9.1. Google Forms was selected, as the survey platform, as it allows unlimited quantitative and qualitative data collection, from a large number of participants. Furthermore, data collected on the platform can be easily exported into excel, for data analysis. The questionnaire testing and circulation process, including response rates are detailed in the following sections.

4.6.1 Questionnaire testing

Pennell and Hibben (2016), contended that surveying different regions with one questionnaire, poses a linguistic challenge, due to cultural differences across regions. Although the multinational company under study is based in different countries with different home languages, the primary language of business and means of communication, within the organisation is English. The questionnaire was therefore designed in English, and targeted English-speaking participants. To eliminate ambiguities in the questionnaire, and to validate the commonality in interpretation and understanding of the questionnaire across countries, the initial questionnaire was reviewed with the following members of the organisation from different regions, either through email or telephone:

Table 9 : Initial questionnaire screening: discussions

Title	**Region**
VP Finance	USA
VP Ethics and Compliance	USA
Ethics and Compliance Director	USA
Legal Supervisor	South America
Finance Director	USA
Corporate Counsel Director	Africa
Corporate Services Director	Africa
Financial Controller	Africa

Questionnaires are only valuable, if respondents comprehend the questions in the manner in which the researcher intends them to be understood (Welman & Kruger, 2001; Saunders & Lewis, 2012). Based on the initial questionnaire screening, ambiguities

noted in the questionnaire were amended. For example, where the questionnaire initially referred to the 'board', a South African concept, this was amended to 'leadership team', the latter being the common terminology within the organisation, which refers to those with oversight over a region. Welman and Kruger (2001) and Ghauri and Gronhaug (2010), argued that for reliability of data, researchers should frame questions in a manner that is familiar to respondents. Appendix 9.2 outlines other terminology adaptations made in the questionnaire.

The substance of the questions was not altered, and changes were not material. After adjusting the questionnaire for small ambiguities and terminology to suit respondents' understanding, the questionnaire was sent by email for testing, to 17 participants who were part of the target sample of respondents. This is described by Welman and Kruger (2001, p.146), as a "pilot study", which is essential to ensure that the questions and guidelines in the questionnaire are understandable to the respondents. The test participants were notified face to face, about the research and were expecting the questionnaire. The fact that it was a test questionnaire was stipulated in the email. The questionnaire was sent to them, as if it was the live distribution (refer to 4.6.2 for details included in distribution emails), so as to test the suitability of the survey platform selected.

Five participants of the test questionnaire responded within two days. No further changes were made based on the test respondents' feedback, aside from spelling errors, and the addition of 'Other' as an option for country input. The latter was added in anticipation of the snowball sampling, yielding respondents from other countries not specifically targeted by the study. The participants were also asked to validate the 20 minute time duration for completion of the questionnaire, as stipulated in the pre-amble. The feedback on this, was that it took between 10 and 20 minutes to complete. The results of the five answered test questionnaires are not included in the data presented and analysed for the study. Additionally, these respondents were not requested to complete the questionnaire again in the true live distribution.

4.6.2 Questionnaire circulation

Due to intensive review of the initial questionnaire with senior leaders of the organisation, no further test questionnaires were solicited. Ghauri and Gronhaug (2010) iterated that the pre-test should be on three to five prospective respondents. Once the five questionnaires were received and amendments made, the live distribution of the questionnaire was completed using email, by the researcher. The full questionnaire was uploaded onto the survey platform, Google Forms. The questionnaire link including the pre-amble to the questionnaire, was sent to participants situated in the selected countries

for the study. Data collection commenced on Monday the 7th of August 2017 and closed on Friday the 29th of September 2017. Respondents included employees in regulatory and compliance roles, finance staff and leaders, customer service staff, general managers, strategy staff, and regional leaders for various functions. The following details were communicated in the emails sent out:

- The overall purpose and scope of the research;
- The breakdown of the sections in the questionnaire and requirements for each;
- The fact that confidentiality is maintained;
- The fact that the respondents' input was valuable to the research and appreciated;
- The right of participant withdrawal from the questionnaire and voluntary nature of the questionnaire;
- The request for targeted respondents, to send the questionnaire to anyone in their regions who might be a suitable participant for the study.

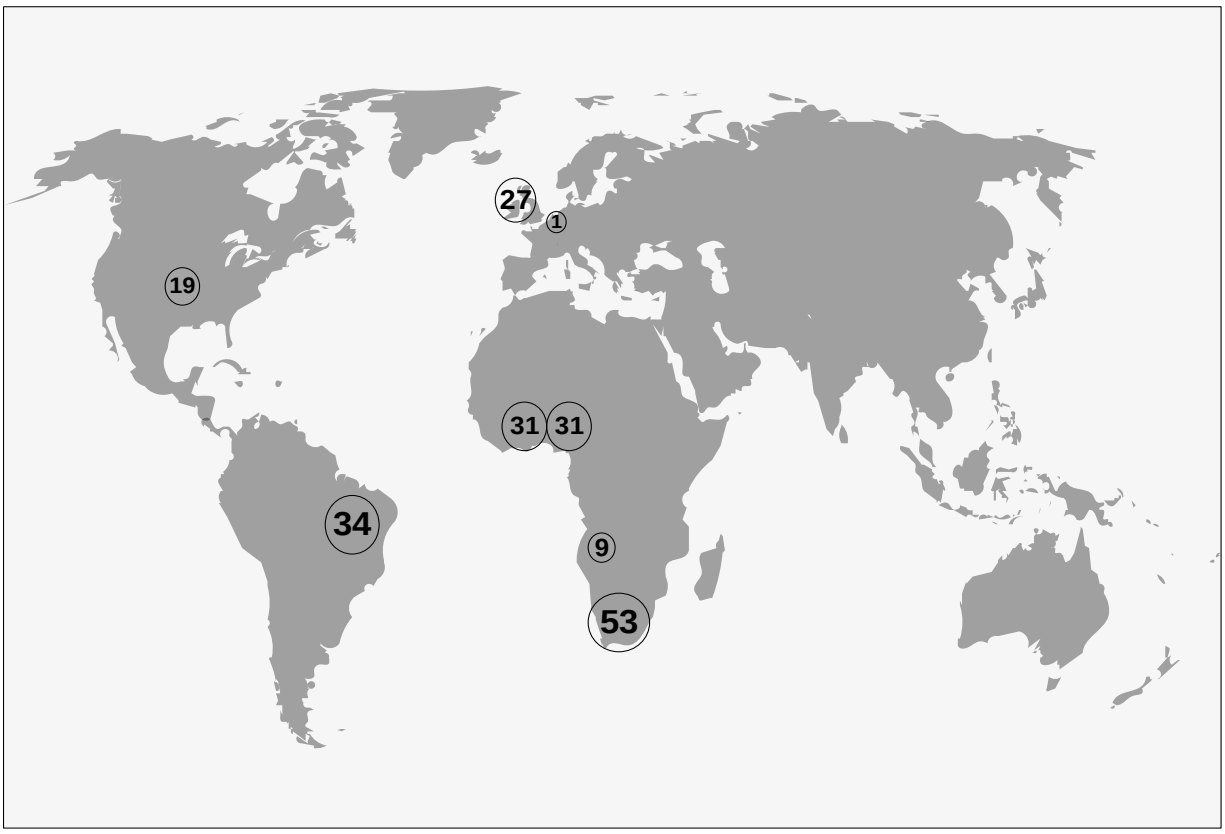
Table 10 reflects the response rate of the questionnaire per country, based on the communications sent solely by the researcher. Snowball sampling resulted a respondent from Belgium, which was not within the scope of countries selected for the research.

Table 10 : Questionnaire responses per country

Country	Region	Approximate number of respondents emailed	Number of responses received
Angola	Africa	30	9
Belgium	Europe	0	1
Brazil	Latin America	148	34
Ghana	Africa	59	31
Nigeria	Africa	72	31
South Africa	Africa	105	53
UK	Europe	134	27
USA	North America	134	19
TOTAL		**682**	**205**

The table above, is depicted graphically in Figure 7, to provide a better perspective of the regions involved in the study.

Figure 7 : Graphical representation of questionnaire responses



Source: Own compilation

Based the above, the overall response rate for the questionnaires emailed out, was approximately 30%. Data collection was closed on Friday 29 September 2017. The researcher carried out efforts to collect questionnaires from respondents until the survey closure date, as follows:

- From the date of live distribution of the questionnaire, the questionnaire was open for eight consecutive weeks until the date of closure. All regions received a reminder at least once every two weeks;
- The researcher made use of Skype for Business to remind prospective respondents to assist with completing the questionnaire;
- Face to face communication about the research and its purpose, with prospective respondents, was carried out in South Africa, Angola and Ghana;
- For countries with low responses, the researcher made use of contacts within countries selected in the organisation, for recommendations on respondents to complete the survey, for example in Nigeria, United Kingdom and Brazil.

4.6.3 Use of other secondary data

Secondary data, which is described as data originally collected for some other purpose (Saunders & Lewis, 2012), was used in relation to the survey data. Specifically used was the consolidated financial statements of the head office which display regional results, from which the financial performance indicators analysed were drawn. As the company used in this research is a public company these financial statements are publically available and can be found very easily on the internet.

This study used sales growth as a proxy indictor for financial performance. Brown and Caylor (2004) identified sales growth as a measure of operating performance, as are the return on equity and profit margin ratios. Secondary data although easily accessible, has the disadvantage of being potentially irrelevant and inaccurate (unreliable) to the study (Zikmund et al., 2013; Wegner, 2016). For this study, the financial statements of the listed company (New York Stock Exchange) were deemed reliable and relevant, as they were independently prepared and audited by reputable professional firms.

4.7 Data transformation

Data transformation was performed independently for the quantitative analysis and for the qualitative analysis as described below.

4.7.1 Quantitative data transformation

The quantitative data was analysed using IBM's Statistical Package for Social Sciences (SPSS) and Microsoft Excel. The data was downloaded from the survey platform used, Google Forms, into Microsoft Excel. For the 205 responses received, the quantitative data was cleaned and collated, to facilitate statistical analysis (Wegner, 2016). Ghauri and Gronhaug (2010), argued that data needs to be edited and coded for quality, including quality of outcomes. The data was cleaned, as detailed in the ensuing paragraphs, prior to importing it into SPSS for analysis.

The researcher inspected the data for any questionnaires received from countries not targeted by the study. One questionnaire was received from Belgium which is out of the scope of analysis in this study. This questionnaire was removed. The quantitative aspect of the questionnaire contained 26 questions. All questionnaires which had a less than 50% response rate (13 questions) were removed. Only one such questionnaire from Nigeria was noted.

Subsequently, the data was inspected for instances where a respondent selected one aspect of the scale for all 26 questions. Ghauri and Gronhaug (2010), argue that these

instances most likely reflect that care was not taken in completing the questionnaire and the answers cannot be relied on. Six such instances were noted from the USA, UK, Nigeria and Brazil and South Africa where the extreme end of the Likert scale (five), was selected as a response to all questions. Given that the majority of statements or questions in the questionnaire were positively phrased, (only one of the 26 statements was negatively phrased), these were not removed from the sample data, as the researcher is unable to conclude whether selection of this answer across the board was indeed due to intentional negligence.

After performing the above, 203 questionnaires remained. The demographic information of these respondents in Section A of the questionnaire (General questions), was then assigned codes as reflected in Table 11. It is essential that categorical data is assigned unique identifiers in the form of codes, for the statistical analysis (Ghauri & Gronhaug, 2010).

Table 11 : Code book for quantitative questions

General Section Q1: Country of base	Identifier or code		General Section Q2 Level of management	Identifier or code
Nigeria	1		Leadership Team	1
South Africa	2		Senior management	2
Angola	3		Middle management	3
United States of America	4		None of the above	4
Brazil	5			
Ghana	6			
United Kingdom	7			

In addition to the above, a column was added to introduce a regional view and country classification view on the data, as the statistical analysis also includes a cross-region analysis. Table 12 outlines this:

Table 12 : Additional data codes for quantitative questions

Region	Identifier or code		Country classification	Identifier or code
Africa	1		Developed	1
Latin America	2		Developing	2
Europe	3		*Refer to 2.5.1 for country classification*	
North America	4			

Subsequently, for the remaining questionnaires, where missing answers were noted, these were replaced with the average (mean) response for the questionnaire to two decimal places, based on country averages. The latter was found to be reasonable on the basis that the subsidiaries in each country represent the unit of analysis for the research. This therefore ensured that the overall mean for responses received from each country remained unchanged.

The data was then imported into SPSS to commence with the analysis. Once in SPSS, reverse scaling for question 12, which is negatively worded was applied. Salkind, (2007), argued that negatively phrased questions, encourage respondents to place more attention to the questionnaire, thus improving the quality of data collected. However, answering 'strongly agree' to such questions, in effect equates to answering 'strongly disagree' for positively phrased questions, thus data for negatively phrased questions should be reverse coded for consistency of results (Salkind, 2007).

4.7.2 Qualitative data

For the 203 questionnaires remaining, the open-ended answers for each, were inspected for references to the multinational company name. Any instances noted were stripped and replaced by the term Company A, due to confidentiality reasons. Coding was then performed on the open-ended question data. This entails analysing and conceptualizing data into distinct themes to develop theory (Strauss & Corbin, 1990; Welman & Kruger, 2001). The results of this, were used to obtain new insights on the business environment within the countries under analysis, and to support the cross-country and cross-region analyses of corporate governance practices for multinational companies. The qualitative data was analysed and coded in excel (spreadsheet developed for each country). The coding process took note of key and repetitive themes from participant responses, and categorised them into confirmatory themes (confirming literature review) or new insights. Results of qualitative data are presented in Chapter Five.

4.8 Reliability and validity

4.8.1 Reliability of the measuring instrument

Cronbach's Alpha is a statistical reliability test, which establishes internal consistency between multiple variables being studied, believed to measure the same concept (Buglear, 2005; Lavrakas, 2008). Lavrakas (2008) outlined the test as being necessary where opinion scales are used in a study, to exclude inconsistent items from subsequent statistical tests.

The Alpha result from this test is between 0 and 1, and a benchmark of 0.70 is used by researchers, in that any Alpha results above 0.70, point to internal consistency and correlation between variables under study (Lavrakas, 2008). Cronbach's Alpha was therefore performed to identify any corporate governance variables, which do not correlate with the others, and these were removed accordingly. The results are presented in Chapter Five.

4.8.2 Validity of the measuring instrument

Welman and Kruger (2001), presented the argument that constructs in a questionnaire for the data collected should also be tested for validity. This ensures that the questionnaire's constructs measure what they intended to measure. Factor analysis is a data reduction technique that involves grouping multiple variables, into smaller sets of variables, allowing for easier statistical analysis (Lavrakas, 2008). Principal Component Analysis (PCA) is a variable reduction technique yielding similar results.

The Kaiser-Meyer-Olkin (KMO) measure for sampling adequacy, and Bartlett's Test for Sphericity for existence of defined relationships between variables, are required to verify that factor analysis or PCA are appropriate for the study (Yong & Pearce, 2013). A KMO of greater than 0.50, and a significance level of $p<0.05$ represents suitable grounds for performing factor analysis (Yong & Pearce, 2013). This was verified for the data, and a PCA was performed to determine whether the nine constructs in the questionnaire, can be grouped into lesser variables without losing the substance of existing variables. The test incorporated results from Cronbach's Alpha test, and results are presented in Chapter Five.

4.8.3 Normal distribution of data

One of the key assumptions of inferential statistics or parametric tests is normally distributed data, which if non-normal might compromise the accuracy of statistical results (Field, 2009). The central limit theorem, suggests that as the sample size increases (usually greater than 30), irrespective of the shape of the data collected or of its population distribution shape, the normality of the sample data can be assumed (Field, 2009; Wegner, 2016). The sample data for this study was large, consisting of 205 items, therefore the data was assumed to be normal. Section 5.6.1 presents the approach taken in this study to apply this assumption including consideration of the Shapiro-Wilk normality test. Detailed results of the tests of normality are included in Appendix 9.6.

4.8.4 Correlation between constructs

A two-tailed correlation analysis was also performed to assess the relationship between constructs. This test also assesses multicollinearity between variables, as perfect correlation between two predictor variables used in a regression model, infers that there are infinite solutions in the form of the regression equation for the model, thus defeating the uniqueness of the output (Field, 2009). The resulting values reflect the strength of the association between two constructs, with -1 indicating a perfectly negative correlation, 0 indicating no correlation and +1 indicating perfect positive correlation

(Wegner, 2016). A threshold of 0.80 (Field, 2009) was applied. Results are presented in section 5.8. Correlation however, is not an indication of causality (Field, 2009).

4.9 Analysis approach

The reduced variables obtained from performing PCA were renamed accordingly, and applied in the statistical analyses described in the ensuing section.

4.9.1 Descriptive statistics

The data was collated into descriptive statistics in SPSS, on a subsidiary level (responses for each country), regional level (responses per region), and holistically (overall for the multinational company) to support analysis of the research questions. The descriptive results are presented in Chapter Five. The following descriptive statistics were specifically compiled, based on the guidelines by Wegner (2016), in terms of their appropriateness for interval data:

- The mean – average response by question, per country, region and overall;
- The mode – most frequent answer by question, per country, region and overall;
- The minimum and maximum – highest and lowest scores respectively for each question, per country, region and overall;
- The standard deviation – level of dispersion of question responses, and distance from the mean, per country, region and overall.

As mentioned before, the mean corporate governance scores overall and for each construct in this study for countries and regions, were taken to be corporate governance indices which were measured against the corporate governance measurement scale defined in section 4.5.3. The descriptive statistics were therefore applied to support analysis and discussion of the research questions in Chapter Five and Six.

4.9.2 Analysis for research question one

Tests of association

The hypothesis in Chapter Three for this research question, was performed for all countries in developing countries. The independent variable was the transparency index (Transparency International, 2016), while the dependent variable was the corporate governance index for each country. The corporate governance index was taken to be the average (mean) score for each country. All constructs were assumed to contribute equally to the overall corporate governance score.

The correlation analysis was also performed for each construct's average score (index), against the transparency index. A correlation analysis identifies the strength of the relationship between two variables (Wegner, 2016). A strong negative correlation yields a result of -1, a strong positive relationship yields a result of +1, and no correlation between variable is depicted by a result of 0 (Field, 2009; Wegner, 2016).

4.9.3 Analysis for research question two

Tests of association and tests of prediction

The hypothesis presented in Chapter Three for this question, was performed for the Africa and Latin America (therefore excluding the developed market regions) for specific financial performance indicators. Due to confidentiality reasons the regional financial performance results in the company's publicised consolidated financial statements, were used, as opposed to the country-specific financial results. The subsidiaries under study represent the majority of the revenue for the regions: Angola, South Africa, Ghana and Nigeria for Africa, Brazil for Latin America, United Kingdom for Europe and China and the United States of America for North America. Therefore it was deemed appropriate to analyse the regional performance results against the results of the survey.

For the correlation between corporate governance and financial performance, the independent variable was the average score for corporate governance practices, while the dependent variable was sales growth. For the correlation between the transparency index and financial performance, the independent variable was the transparency index, while the dependent variable was sales growth. The analyses were performed for overall corporate governance, and for individual constructs. Results are outlined in Chapter Five.

Additionally, for enhanced and comprehensive analysis, the author of this research incorporated regression tests, between corporate governance and sales growth. Both simple and linear regression analyses were performed. Multiple linear regression is described by Wegner (2016) as a test of multiple independent variables (index for each corporate governance construct) as predictors of a dependent variable (financial performance indictor). The significance level applied was $p<0.05$ with the confidence level of 95% (Field, 2009). No predictive relationships were found, therefore results for the regression tests are presented on a limited basis in Chapter Five.

4.9.4 Analysis for research question three

Test of differences

For this question, the mean corporate governance scores (indices) of subsidiaries were tested for differences. The dependent variable was the corporate governance scores of

the subsidiaries, while the independent (grouping) variable was the country, region, and country category for each test respectively. Tests of differences explore whether differences between groups in a population are statistically significant (Field, 2009). Thus, an independent sample t-test was performed to test the significance of differences in corporate governance, between developed and developing markets. Furthermore a test of differences between countries and regions, was performed (more than three categorical groups), using the Analysis of variation (ANOVA) (Field, 2009).

The tests sought to assess the application of a standard governance model by multinational companies, across regions and countries of operation. The significance level applied to assess the differences was $p<0.05$, with a confidence level of 95% (Field, 2009). A post-hoc analysis was also performed to understand where the differences lie. Results are presented in Chapter Five. The discussion differences in Chapter Six, is supplemented by the qualitative analysis performed on the open-ended questions data, which revealed the varying institutional factors across countries.

4.10 Limitations

The study applied a mixed approach to overcome the disadvantages of a purely qualitative or quantitative approach. Qualitative approaches offer a closer touch with the data due to the exploratory analyses required, while with quantitative approaches, the researcher is distant from the data (Ghauri & Gronhaug, 2010). Therefore combining the insider and outsider views of these study methods, ensures quality of the research analysis and outcome. Although the qualitative aspect of this study was small, it supported the statistical analyses with valuable insights, as presented in Appendix 9.8.

The research also combined the use of primary and secondary data. Although primary data collection allows control of its relevance to the research, it can be time consuming (Wegner, 2016). The author of this study controlled the timelines for the questionnaires as detailed in section 4.6.2, and deemed the responses to be sufficient for the purposes of exploring the research questions. In relation to secondary data, although relatively quick to obtain, it has the limitations of being potentially inaccurate and unfit for the research purpose (Ghauri & Gronhaug, 2010; Zikmund et al., 2013; Wegner, 2016). This risk was reduced for this study, as the secondary data is audited and reviewed by various regulatory bodies, and provides sufficient information for the financial ratios required for the study. The ensuing sections highlight key limitations in using these methods.

4.10.1 Limitations in data collection and measuring instrument

The researcher has less control in primary data collection methods such as questionnaires, as these are left to the respondents' time convenience (Welman & Kruger, 2001; Ghauri & Gronhaug, 2010). As a result, the response rate on questionnaires is generally low (Welman & Kruger, 2001), as seen in section 4.6 with the researcher's attempt to collect quantitative data from Angola and the United States of America. This particularly proved difficult, as the researcher is not based in the countries selected for the study, and placed reliance on snowball sampling. A low response rate might pose the limitation that those who answered the questionnaire, might actually be unrepresentative of the population, thus distorting the results inferred on the rest of the population in the data analysis (Welman & Kruger, 2001).

The questionnaire incorporated open-ended questions which pose a few drawbacks. Firstly, the quality of answers may not be as expected, as generally open-ended questions require an articulation ability on the part of respondents, who may therefore choose to not answer the questions, should they not meet this criteria (Welman & Kruger, 2001). This was the case with the data, where respondents preferred not to answer the open-ended questions. Furthermore, open-ended questions may yield inappropriate, ambiguous and varying answers (Welman & Kruger, 2001), which might impact the quality of the data analysis, and conclusions drawn thereon.

Although the questionnaire was discussed in meetings with various individuals from different regions (Refer to 4.6.1) to remove ambiguity, the subsequent pilot testing of the questionnaire, was performed on South Africa only. Welman and Kruger (2001), argued for pilot testing on a few respondents that make up part of the same population being tested. Resultantly, other wording and phrasing flaws in the questionnaire impacting respondents in other regions, could have been overlooked. However the researcher deems that most of the ambiguities were removed in the initial meetings held with regional leaders, thus minimising this risk.

Pennell and Hibben (2016), iterated that questions distributed across cultural contexts, should be adapted to the needs of the respondents in each context, including translations. A potential limitation to respondents' understanding, was noted in the use of a standardised English questionnaire. The questionnaire was circulated to subsidiaries in countries whose primary language is not English, or where the use of the language might differ to South Africa, thus potentially impairing understanding. Furthermore, biases influenced by culture and context of the respondent, could have impacted response style (Pennel & Hibben, 2016). The researcher held pre-screening

meetings and pilot tests to remove ambiguities and subjectivity in questions as far as possible, and minimise potential misunderstanding and biases.

4.10.2 Limitations of the sampling methods

Wegner (2016), argued that non-probability sampling techniques such as those in this study, potentially mean that the sample is unrepresentative of the population. Thus the statistical findings are likely to be biased (Wegner, 2016). Specifically, although snowball sampling is useful for hard to reach samples, it introduces bias, in that the sampling error cannot be validated thus making statistical inferences invalid (Buglear, 2005; Wegner, 2016). Purposive sampling was the primary sampling technique applied, in directing the questionnaire to functional and operational employees, who were reasonably expected to have awareness of ethics and compliance. This approach was applied to safeguard value-add to the research, by ensuring that respondents were well-versed with the topic of interest. Snowball sampling was then applied when the researcher did not receive sufficient responses from the countries under study.

4.11 Confidentiality and anonymity

As mentioned before the name of the multinational company is not disclosed for confidentiality reasons. Consequently, all data collected was inspected and any references to the name of the organisation, was replaced with Company A, Product A and Division A as appropriate. Additionally, the pre-amble to the questionnaire (Appendix 9.1) contained a consent section, which indicated confidentiality of respondents' submissions. The questionnaires were also collected anonymously. The latter is cited as a key advantage of surveys, which prompts more authentic responses from participants (Wegner, 2016).

4.12 Conclusion

Chapter Four presented the research design and methodology. A deductive research approach, and mixed methodology were applied. Primary data collection was carried out for both quantitative and qualitative aspects of the research. This comprised of a questionnaire with Likert scale questions, and a small number of open-ended questions. Sampling techniques applied for the multinational company selected and participants of the questionnaire, were principally purposive and snow-ball sampling. The overall response rate for the questionnaire was 30%. Tests for reliability and validity were performed. The research questions were then explored by means of statistical tests, incorporating the use of secondary financial data, and key themes from the qualitative aspect of the research. Detailed results are discussed further in Chapter Five.

5 RESEARCH RESULTS

5.1 Introduction

Results of the data analysed are presented in this chapter. The chapter commences by outlining questionnaire completion rates and respondents' characteristics. Thereafter, results of testing the reliability and validity of the measurement instrument and constructs, are outlined. The chapter proceeds to present statistical results, namely descriptive statistics and hypotheses tests performed for each research question. Key themes from the open-ended questions are then presented, by country. These results introduce the platform on which the research questions are discussed in Chapter Six, with pertinent aspects of the literature review.

5.2 Questionnaire response and completion rate

Data collection occurred from Monday the 07th of August 2016 to Friday the 29th of September 2017. The ratio of the number of questionnaires sent out (682), to those collected from participants (205), was approximately 30%. During data transformation (section 4.7), two questionnaires were removed, resulting in the use of 203 questionnaires for the quantitative and qualitative analysis of this study.

Table 13 summarises the response rate per question. Frequency of responses and responses per Likert scale item are presented in Appendix 9.4. Unanswered questions were replaced with the average (mean) response for the country, to two decimal places. The country average was noted to be appropriate as the unit of analysis for the research, is subsidiaries operating in those countries. The averaging method was applied to 40 unanswered questions, out of a total of 5278 expected answers (0.8% missing answers). Thus, the overall completion rate for the questionnaire used for the study was 99.2%.

Table 13 : Summary of response rate by question

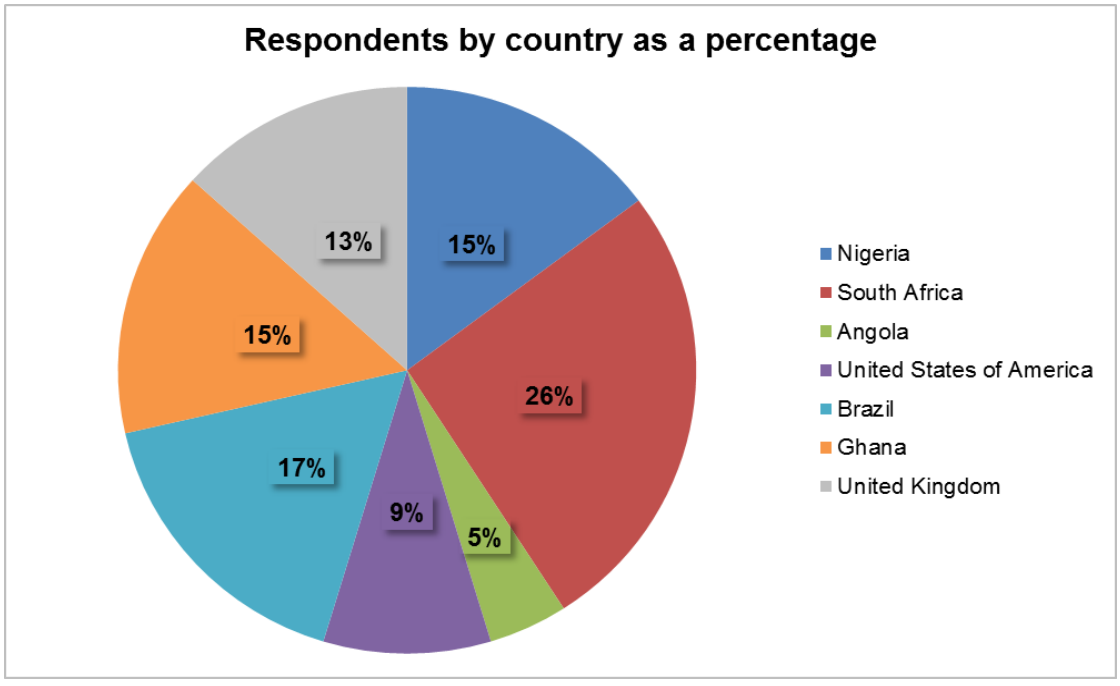
Question reference	Response rate		Question reference	Response rate		Question reference	Response rate
Q1 ELCC_1	100%		Q10 RG_1	97.5%		Q19 IA_1	100%
Q2 ELCC_2	99.5%		Q11 RG_2	98.5%		Q20 IA_2	99%
Q3 ELCC_3	99%		Q12 RG_3	98.5%		Q21 IA_3	98.5%
Q4 BD_1	99.5%		Q13 ITG_1	99.5%		Q22 SRG_1	99.5%
Q5 BD_2	99%		Q14 ITG_2	99.5%		Q23 SRG_2	99%
Q6 BD_3	99.5%		Q15 ITG_3	99%		Q24 SRG_3	99.5%
Q7 AC_1	100%		Q16 COM_1	99%		Q25 IRD_1	99.5%
Q8 AC_2	98.5%		Q17 COM_2	100%		Q26 IRD_2	99.5%
Q9 AC_3	99%		Q18 COM_3	100%			

5.3 Respondent characteristics

The questionnaire included a general section, requiring participant information on the country in which they are based. The country information was pivotal for the study's cross-country and cross-region statistical comparisons, with the context of the study being operating environments of multinational companies' subsidiaries. The characteristics of the respondents are therefore depicted graphically by country, region and country category (developed and developing countries) below.

Figure 8 depicts the origin of the data by country. The majority of the participants were from South Africa (26%), while 17% of the respondents were from Brazil. Nigeria and Ghana had a similar number of respondents at 15%, after removing questionnaires which were rendered unusable. The other countries embodied less than 15% of the sample's responses, namely, UK, Angola and USA. The low response rate, was cited as a potential research limitation in section 4.10.1.

Figure 8 : Respondents by country



Despite the low response rate from Angola, Figure 9 depicts that the majority of the respondents were from the Africa (61%) and Latin America (17%) regions. This provides a good platform for the study's analysis, which is largely based on regions with weak state transparency.

Figure 9 : Respondents by region

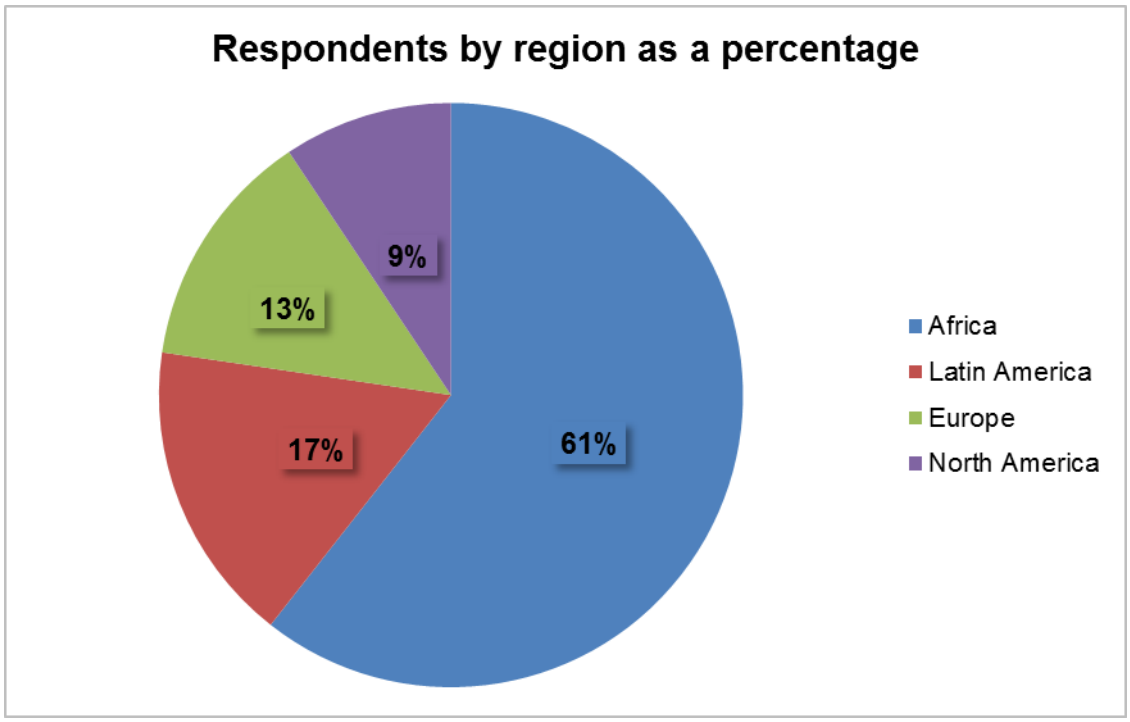
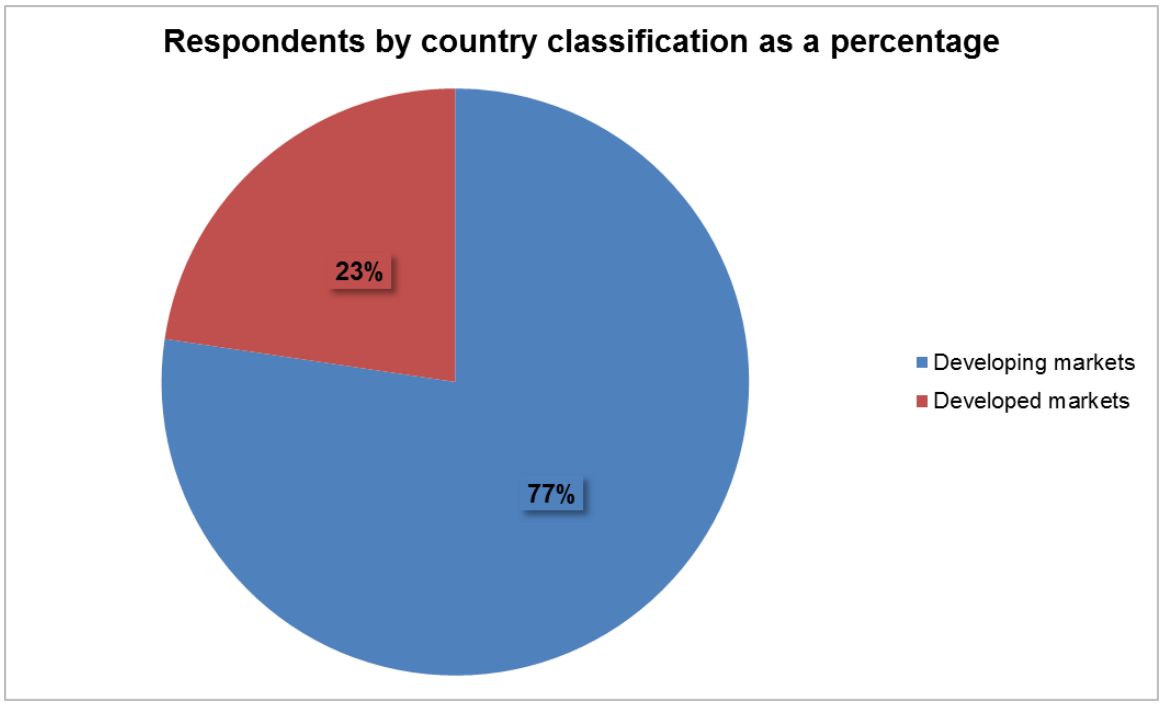


Figure 9 resonates with Figure 10 below, which shows that approximately 77% of the respondents were from developing markets (Africa and Latin America).

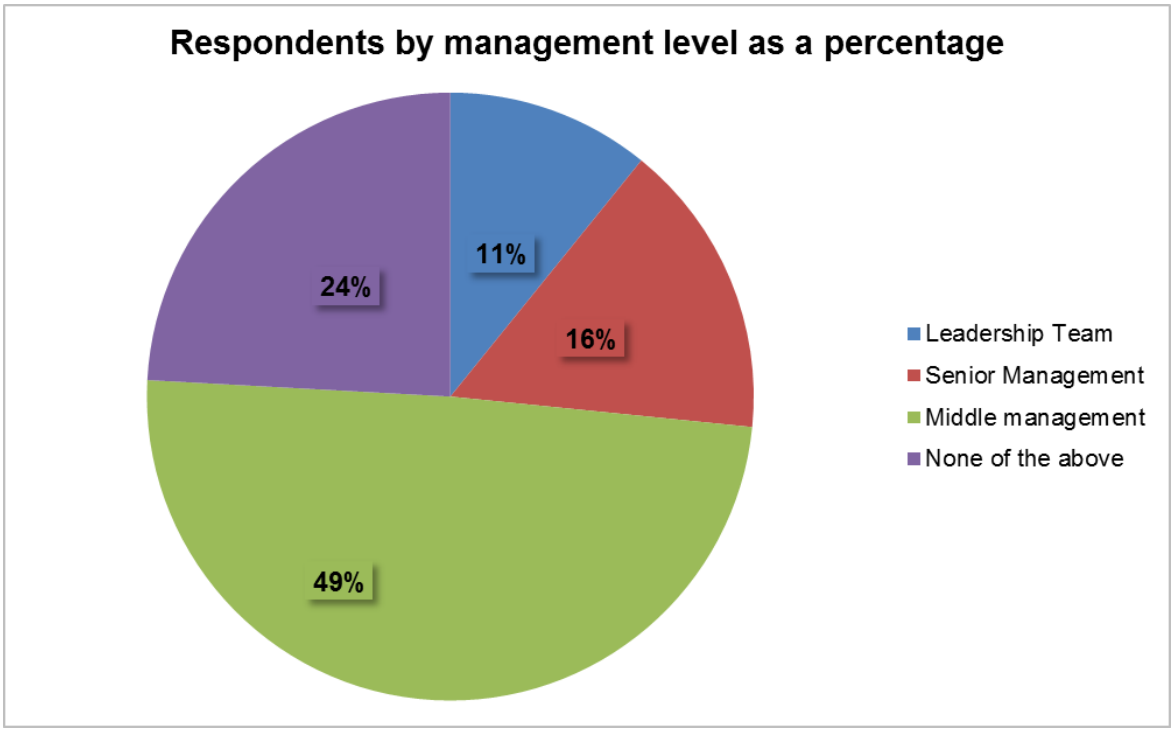
Figure 10 : Respondents by country category



A question on the level of management was also included in the general section of the questionnaire, to facilitate an enriched analysis of the responses and statistical results. Particularly, the question was added to determine whether participant responses across

countries, were influenced by their level of management. Figure 11 portrays the data by respondents' level of management. The results show that 76% of the respondents fell within the bracket of middle management level to leadership team level. 24% of the respondents were below middle management. The consistency of responses across employees is analysed, specifically, whether the perception of corporate governance is affected by the management level of an individual within the organisation.

Figure 11 : Respondents by level of management



5.4 Reliability test results

The reliability of the measuring instrument was tested using Cronbach's Alpha per construct in the questionnaire. This assesses the correlation between questions measuring a particular variable, with a suggested reliability threshold of 0.70 (Lavrakas, 2008). Lavrakas (2008) proposes that if a result is below this threshold, then less correlated questions should be deleted. Furthermore deletion of questions should be performed, until the highest possible Alpha is achieved (Lavrakas, 2008). Item-total correlations were also reviewed to assess the coherence and correlation of questions to the overall questionnaire score (Lavrakas, 2008). The following sections summarise the outcome of the reliability tests, with detailed outcome of the tests included in Appendix 9.5. However, Cronbach's Alpha does not look at the multi-dimensional aspects of constructs (Lavrakas, 2008), and for this purpose, a Principal Components Analysis (PCA) was performed in section 5.5.

- Construct one Cronbach's Alpha results : Ethical leadership and corporate citizenship

Cronbach's Alpha for the three questions relating to the Ethical leadership and corporate citizenship construct, was greater than 0.70, at 0.76 (Appendix 9.5). This pointed to internal consistency of the questions measuring this construct. However, the item-total statistics reflected that a higher Cronbach's Alpha result would be achieved (0.793), if question one (ELCC_1) was deleted. Furthermore, the item-total correlation reflected that question one had the lowest correlation to the overall score. This question was therefore deleted. Table 14, reflects the item-total statistics before deletion, and the revised Alpha subsequent to deletion of question one. Resultantly, two questions were included in measuring the construct in the hypothesis testing.

Table 14 : Construct one: Cronbach's Alpha reliability test

Item-Total Statistics ELCC					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q1 ELCC_1	9.5939	.765	.480	.253	.793
Q2 ELCC_2	9.6639	.530	.705	.510	.538
Q3 ELCC_3	9.6443	.626	.608	.436	.659

Revised Reliability Statistics ELCC		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.793	.794	2

- .Construct two Cronbach's Alpha results: Board and Directors

Cronbach's Alpha was 0.853 (Appendix 9.5) for three questions measuring this construct, which was well above the 0.70 reliability threshold. This pointed to the suitability of the questions for measuring the construct. The item-total statistics reflected that, deleting any of the questions would not yield a higher Alpha. Therefore all questions in this construct were carried through to the study's hypothesis testing.

- Construct three Cronbach's Alpha results : Audit committee

The three questions measuring the Audit committee construct, were found to be internally consistent and coherent, with a Cronbach's Alpha result of 0.871 (Appendix 9.5). This was above the 0.70 reliability threshold, and the item-total statistics (Appendix 9.5), reflected a strong correlation between question scores and overall construct score. Furthermore, deletion of any of the questions would not yield a higher Cronbach's Alpha. Resultantly all questions were used for the study's hypothesis testing.

- Construct four Cronbach's Alpha results: Governance of risk

Cronbach's Alpha for the Governance of risk was 0.649 (Appendix 9.5). As this was below the reliability threshold of 0.70, the questions were not a reliable measure of the construct. The item-total statistics noted that the result would be higher at 0.814, if question 12 (RG_3) was deleted. Question 12 also had a low item-total correlation value of 0.287, and was therefore deleted. Table 15 reflects the item-total statistics prior to deletion, and the revised Alpha subsequent to deleting the question. Questions 10 and 11 were therefore found to be an appropriate measure of the construct.

Table 15 : Construct four: Cronbach's Alpha reliability test

Item-Total Statistics RG					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q10 RG_1	6.9375	3.198	.564	.477	.435
Q11 RG_2	7.1216	2.837	.580	.488	.385
Q12 RG_3	7.6990	3.276	.287	.084	.813
Revised Reliability Statistics RG					
Cronbach's Alpha		Cronbach's Alpha Based on Standardized Items		N of Items	
.814		.817		2	

- Construct five Cronbach's Alpha results: Governance of Information Technology (IT)

The Cronbach's Alpha result was 0.854 (Appendix 9.5) reflecting strong consistency between the questions in measuring the overall construct for the Governance of IT. As this was greater than the reliability threshold of 0.70, no questions were deleted from this construct. The item-total statistics (Appendix 9.5) reveal that deletion of any questions would not have an incremental impact on the Alpha.

- Construct six Cronbach's Alpha results: Compliance with laws, rules, codes and standards

Cronbach's Alpha was 0.838 (Appendix 9.5) for the three questions under this construct. As this is more than 0.70, reliability of the scale was proved. However, the item-total statistics (Table 16) revealed that the Alpha would increase to 0.866 if question 16 (COM_1) was deleted. As a result, the researcher deemed it appropriate to delete this question to achieve the highest possible Alpha for the construct. Based on this, question 17 and 18 were carried through to the hypothesis testing.

Table 16 : Construct six: Cronbach's Alpha reliability test

Item-Total Statistics COM					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q16 COM_1	9.3300	1.103	.633	.408	.866
Q17 COM_2	9.2480	1.170	.777	.647	.701
Q18 COM_3	9.2184	1.343	.726	.601	.764
Revised Reliability Statistics COM					
Cronbach's Alpha		Cronbach's Alpha Based on Standardized Items		N of Items	
.866		.869		2	

- Construct seven Cronbach's Alpha results: Internal audit

The Alpha result for the three questions under this construct was 0.798 (Appendix 9.5). As this was greater than 0.70 it points to internal consistency of the questions in measuring this construct. The results also reflect that no increases in the Alpha would be expected, if any questions were deleted.

- Construct eight Cronbach's Alpha results: Governing stakeholder relations

The Cronbach's Alpha result was 0.544 (Appendix 9.5) for three questions under this construct. This was less than 0.70, indicating weak internal consistency of the questions measuring this construct. The results in Table 17, disclosed that question 24 (SRG_3), had the least item-total correlation at 0.181, and that Alpha would increase to 0.709 if the question was deleted. Once removed the revised Alpha of 0.709 was greater than 0.70, thus proving the revised construct reliable. Questions 22 and 23 were therefore carried through to the hypothesis testing.

Table 17 : Construct eight: Cronbach's Alpha reliability test

Item-Total Statistics SRG					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q22 SRG_1	8.4007	1.838	.490	.317	.225
Q23 SRG_2	8.4060	1.879	.429	.303	.322
Q24 SRG_3	7.9251	2.366	.181	.038	.709
Revised Reliability Statistics SRG					
Cronbach's Alpha		Cronbach's Alpha Based on Standardized Items		N of Items	
.709		.709		2	

- Construct nine Cronbach's Alpha results: Integrated reporting

For the two questions measuring this construct, the Cronbach's Alpha result was 0.836 (Appendix 9.5). This was greater than 0.70, thus reliability of the scale was proved. No questions required deletion thereof, and a higher Alpha result was not expected if any of the questions were deleted.

Based on the Cronbach's Alpha tests performed and the results presented above for each construct, questions one (ELCC_1), 12 (RG_3), 16 (COM_1) and 24 (SRG_3) were deleted. The results were taken into account in performing the validity tests over the data, presented in the ensuing section.

5.5 Validity test results

For the remaining questions within the nine constructs, a Principal Components Analysis (PCA) was performed. PCA is a variable reduction process, which reduces existing variables into a smaller number of descriptive variables for more meaningful analysis (Yong & Pearce, 2013). It is argued to slightly differ in its calculation of communalities, from other techniques, namely, Principle Axis Factor Analysis, however the output of factor loadings are essentially similar (Yong & Pearce, 2013). Accordingly PCA was deemed appropriate as a variable reduction technique for this study. Correlation between variables and sampling adequacy are necessary for performing the analysis. Refer to 5.5.1 and 5.5.2 below for testing performed on these assumptions.

Importantly, the reliability of a PCA or factor analysis outcome, increases with a larger sample size (Yong & Pearce, 2016). The sample size of 203 used for this research was found to be appropriately large to provide reliable results, as generally it is recommended that there are 10 to 15 data points for each variable (Field, 2009). The ensuing sections present the results of the PCA performed.

5.5.1 Principal Components Analysis assumptions - Correlation matrix

Prior to reviewing the results for sampling adequacy (KMO), correlation between variables was considered, to determine the existence of any variables which do not measure similar elements to others. Generally, each variable in the correlation matrix output table should have some correlation with other variables, greater than or equal to 0.30 (Field, 2009). Variables with few or no correlations should be removed, as it indicates inconsistency in what all variables are measuring.

The correlation matrix for the remaining 22 questions, reflected that each question had at least ten correlations with other variables (value of greater than or equal to 0.30).

Question ELCC_2 (Q2), was noted to have the least number of correlations with other variables, with 10 out of 22 correlations. Based on this, it was considered not necessary to remove any variables at this stage. No instances of multicollinearity were noted, that is, where correlation values were above 0.90 between two different variables (Yong & Pearce, 2013). The latter would indicate repetition of the measurement of a variable, thus compromising reliability of the data set, and rendering it difficult to determine the unique contribution of a variable to a factor (Field, 2009).

5.5.2 Principal Components Analysis assumptions - KMO and Bartlett's tests

The Kaiser-Meyer-Olkin (KMO) measure for sampling adequacy, and Bartlett's Test of Sphericity are further required to validate the use of factor analysis (Yong & Pearce, 2013). They determine the existence of a linear relationship between the variables in the data, which is characteristic of PCA (Field, 2009). The outcome is reflected in Table 18.

Table 18 : KMO and Bartlett's test results

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.889
Bartlett's Test of Sphericity	Approx. Chi-Square	2701.155
	Df	231
	Sig.	.000

A KMO of greater than 0.50 is accepted, however a value above 0.80 is encouraged for an effective PCA (Field, 2009). The KMO was 0.889 which is considered good, as it was well above the 0.50 cut-off. Furthermore, the anti-image correlation matrix output, which reflects the KMO measures for each variable within the diagonal element of the matrix, was reviewed. Table 19 reflects the individual KMO measures, which were all greater than 0.80. The KMO results pointed to the adequacy of sampling, and thus suitability of PCA to produce reliable and discrete factors from the data set (Yong & Pearce, 2013).

Table 19 : Anti-image correlation matrix results - KMO measures

Question or variable	KMO Measure		Question or variable	KMO Measure		Question or variable	KMO Measure
Q2 ELCC_2	0.851		Q10 RG_1	0.877		Q20 IA_2	0.879
Q3 ELCC_3	0.875		Q11 RG_2	0.852		Q21 IA_3	0.908
Q4 BD_1	0.899		Q13 ITG_1	0.911		Q22 SRG_1	0.930
Q5 BD_2	0.923		Q14 ITG_2	0.906		Q23 SRG_2	0.842
Q6 BD_3	0.937		Q15 ITG_3	0.917		Q25 IRD_1	0.843
Q7 AC_1	0.859		Q17 COM_2	0.865		Q26 IRD_2	0.835
Q8 AC_2	0.866		Q18 COM_3	0.868			
Q9 AC_3	0.935		Q19 IA_1	0.911			

The results for the Bartlett's Test of Sphericity in Table 18, reflected high statistical significance ($p<0.05$) at 0.000 ($p<0.001$). Accordingly, relatedness between the variables in the data set existed, and factor analysis was therefore suitable (Yong & Pearce, 2013). Based on this, PCA was deemed appropriate and the results of the analysis, are presented in the succeeding section.

5.5.3 Component (factor) loading results

Using the widely accepted eigenvalue of 1 (Field, 2009), with the principle component analysis extraction method and varimax rotation method, five components were extracted. The five components were noted to represent 67.801% of the variances, as portrayed in Table 20. Components are similar to factors, and the loadings denote how much of an extracted component or factor is explained by a variable. As such, a higher factor loading for variables is preferable, as it indicates that the scope of the factor is better explained by the specific variables (Yong & Pearce, 2013).

Table 20 : Component loading results: Total variance explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings	
	Total	% of Variance	Cumulative %	Total	% of Variance
1	9.117	41.442	41.442	9.117	41.442
2	1.936	8.800	50.242	1.936	8.800
3	1.603	7.289	57.531	1.603	7.289
4	1.163	5.288	62.819	1.163	5.288
5	1.096	4.982	67.801	1.096	4.982

Additionally, the output of the communalities for each variable, reflected all extraction values to be above 0.50. A cut-off of 0.20 is often applied (Yong & Pearce, 2013). Communalities display how much of a variable's variance is explained by extracted factors (Field, 2009; Yong & Pearce, 2013). A preferred outcome is communalities close to 1, thus aligning to the purpose of detecting common dimensions between variables (Field, 2009). The communalities showed that most of the variables' variances, are well-represented by the extracted factors. No instances less than 0.20 were noted.

Table 21 reflects the outcome of the components extracted, in relation to which component the variable loads onto. It is recommended that factor loadings used in the assessment are greater than 0.40 (Field, 2009). The author of this research, noted that using the rotated matrix and supressing small coefficient values lower than this benchmark facilitated easier interpretation of the factors (Yong & Pearce, 2013). Five variables were noted to have multiple component or factor loadings greater than 0.40, known as split loadings (Yong & Pearce, 2013), however, the highest coefficient was

used as a basis to load a variable onto a component. All factors were noted to have more than one final variable loading with coefficient values greater than the 0.40, thus further justifying retaining all five factors for the study.

Table 21 : Component (factor) loading results for variables

Rotated Component Matrix						
Question/variable	Reference	Component				
		1	2	3	4	5
Audit Committee 1	Q7 AC_1	.657				
Audit Committee 2	Q8 AC_2	.743				
Audit Committee 3	Q9 AC_3	.680				
Compliance with laws 3	Q18 COM_3	.470				
Internal audit 1	Q19 IA_1	.769				
Internal audit 2	Q20 IA_2	.782				
Internal audit 3	Q21 IA_3	.617				
Board and Directors 1	Q4 BD_1		.558			
Board and Directors 2	Q5 BD_2		.547			
Board and Directors 3	Q6 BD_3		.624			
Governance of risk 1	Q10 RG_1		.618			
Governance of risk 2	Q11 RG_2		.696			
Stakeholders 1	Q22 SRG_1		.675			
Stakeholders 2	Q23 SRG_2		.750			
Governance of IT 1	Q13 ITG_1			.769		
Governance of IT 2	Q14 ITG_2			.753		
Governance of IT 3	Q15 ITG_3			.750		
Compliance with laws 2	Q17 COM_2			.471		
Ethical Leadership 2	Q2 ELCC_2				.805	
Ethical Leadership 3	Q3 ELCC_3				.803	
Integrated Reporting 1	Q25 IG_1					.651
Integrated Reporting 2	Q26 IG_2					.721

Component (factor) one - Effectiveness of oversight bodies

This component fittingly consisted of all questions relating to the effectiveness of the involvement and duties of oversight bodies in the organisation, namely the audit committee and the internal audit function. Furthermore as the audit committee directs the internal audit function's activities (IODSA, 2009), the statistical association between the two original constructs, of internal audit and audit committee, was found reasonable.

Additionally a question on the level of integration between compliance, ethics and the organisation's code of conduct was included in the component. Although the coefficient value of 0.470 for this question was the lowest of the variables loaded onto this component, the author of this research deemed its categorisation appropriate. The

communality value for the question was reasonably high at 0.672, thus not expected to lower reliability of the construct.

The compliance function of an organisation should ensure integration of compliance with ethics and risk management (IODSA, 2009). Furthermore, the internal audit function's duties, include oversight of internal controls and fraud risk, which encompass compliance with ethics and the code of conduct (IODSA, 2009). For this reason, the reduced component (factor) was labelled 'Effectiveness of oversight bodies'.

Component (factor) two - Leadership accountability

The variables (questions) loaded onto this factor are those relating to the responsibilities of the leadership team (board of directors) which include risk and stakeholder management. Consequently, the variables relating to risk management in the organisation, as well as stakeholder management are also loaded onto this factor. Accordingly the author of this research found it reasonable that all variables loaded were statistically associated, as leadership's (board of directors) responsibilities include risk management, which filters directly to protecting stakeholders' interests (IODSA, 2009). Therefore, the reduced factor was labelled 'Leadership accountability', in the context of their accountability to the organisation and stakeholders.

Component (factor) three - Internal controls and policies

This factor consists of the questions relating to the existence and enforcement of IT controls, policies and governance. Additionally, a question from the initial compliance construct, relating to the inclusion of guidelines on anti-bribery within the internal policies of the organisation is included in the factor loading. Although the coefficient value for this question is the lowest of the variables loaded onto this component at 0.471, it was deemed fit for the construct, as all questions are associated with internal policies and controls. The communality value for the question was high at 0.727, thus not expected to lower reliability of the construct. Resultantly, the reduced factor was labelled 'Internal controls and policies'.

Component (factor) four - Ethical tone

The variables loaded onto this factor, relate to the level of the ethical tone set by the leadership team into the organisation, as well as ethical inclination within the organisational culture. All factor loadings were significantly high with coefficient loadings greater than 0.80. The reduced factor was therefore labelled 'Ethical tone'.

Component (factor) five - Reporting transparently

This component aptly consisted of variables relating to the application of integrated reporting and the level of the transparency observed in communicating the organisations' results and impacts. All factor loadings were high with coefficient loadings greater than 0.60. The reduced factor was therefore labelled 'Reporting transparently'.

In conclusion, Yong and Pearce (2013), argued that a model produced by factor analysis is a good fit, if the Reproduced Correlation Matrix reflects less than 50% non-redundant residuals with absolute values greater than 0.05. The Reproduced Correlation Matrix for this analysis, reflected 92 (39%) non-redundant residuals with absolute values greater than 0.05, therefore the model was deemed a good fit.

5.6 Descriptive statistics

Descriptive results are outlined for the observable variables and constructs in the following sections, including regional and country level statistics (Refer to Appendix 9.7 for statistics by construct). These are used for the hypothesis testing, and incorporated into the cross-country and cross-region analyses in Chapter Six. The presented statistics are: mean, mode, minimum, maximum and the standard deviation. The Skewness statistic, depicting data symmetry, and Kurtosis statistic depicting pointedness of data (Field, 2009), were incorporated in the assessment of the descriptive statistics. Tests of normality on an overall basis are firstly explored in section 5.6.1 below.

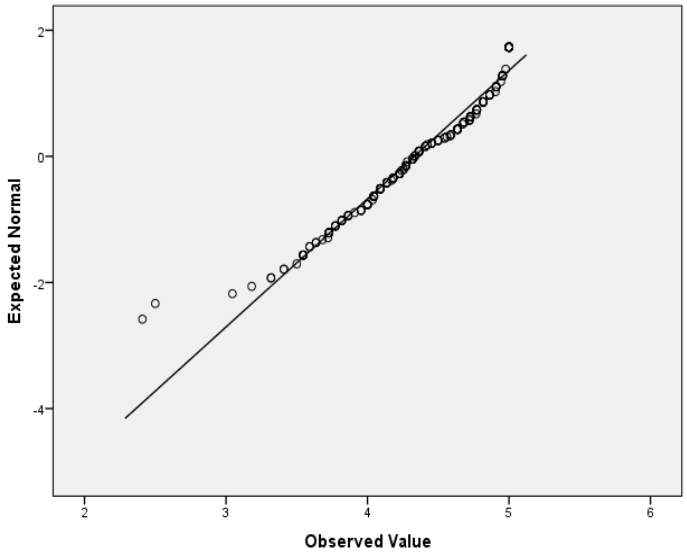
5.6.1 Normality test

The Shapiro-Wilk test was performed (Appendix 9.6) to assess the normality assumption underlying parametric tests. The data set (N=203) was noted as not normally distributed, with a $p<0.05$. Field (2009), argued that the Shapiro-Wilk test for normality, has the limitation that a significant result (indicating a non-normal distribution), can be obtained for large data sets from small deviations from normality. Resultantly, such significance is insufficient to validate whether the deviations affect statistical results (Field, 2009). Therefore, normality was assumed for the statistical tests in this study, based on the Central Limit Theorem (refer section 4.8.3).

The Normal Q-Q (Figure 12) plot was used to assess any significant outliers. The Q-Q plot splits data into quantiles of data, and plots them against the line that would be expected for a normal distribution (straight-line on the plot). Visual inspection of the Q-Q plot, shows that most data quantiles fall onto the normality line, with a small number of quantities deviating substantially from it. Additionally, with visual inspection of the box

plot output by country, for the overall data set, no extreme outliers were noted (more than three box plots away from the edge of their main box plot).

Figure 12 : Normal Q-Q Plot for Corporate Governance scores



5.6.2 Overall descriptive statistics

The Likert scale applied to the study ranged from 1 (strongly disagree) to 5 (strongly agree). As mentioned in Chapter Four, the mean corporate governance scores overall and for each construct throughout this study, were taken to be governance indices, which were measured against the corporate governance measurement scale defined in section 4.5.3 (Table 8) for countries and regions. Table 22 reflects the descriptive statistics for the overall data collected.

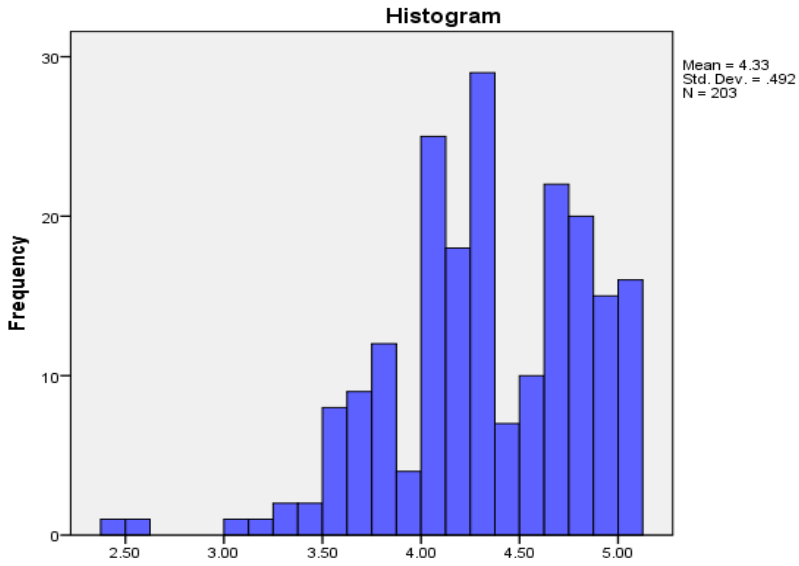
Table 22 : Descriptive statistics for overall Corporate Governance index

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Overall Corporate Governance score (index)	**203**	**2.41**	**5.00**	**4.33**	**.49168**
Valid N (listwise)	203				

Using the corporate governance assessment scale, the overall mean score of 4.33 for the sample, lies between strong (4) and very strong (5). On average, respondents deemed the level of corporate governance by the multinational company as reasonably strong. The skewness statistic of -0.747 (Standard error 0.171) shows that the data is negatively (left) skewed, while the kurtosis statistic of 0.888 (standard error 0.340), indicates defined peaks in the data. However, the modal value depicted by the histogram

approximates the mean, indicating that the data is not significantly dispersed around the mean (Minimum of 2.41 and Maximum of 5.00). Thus the mean was deemed a good representation of the data, and used for the statistical analysis in this chapter.

Figure 13 : Histogram - Overall corporate governance index



5.6.3 Descriptive statistics by construct

- **Construct one - Effectiveness of oversight bodies**

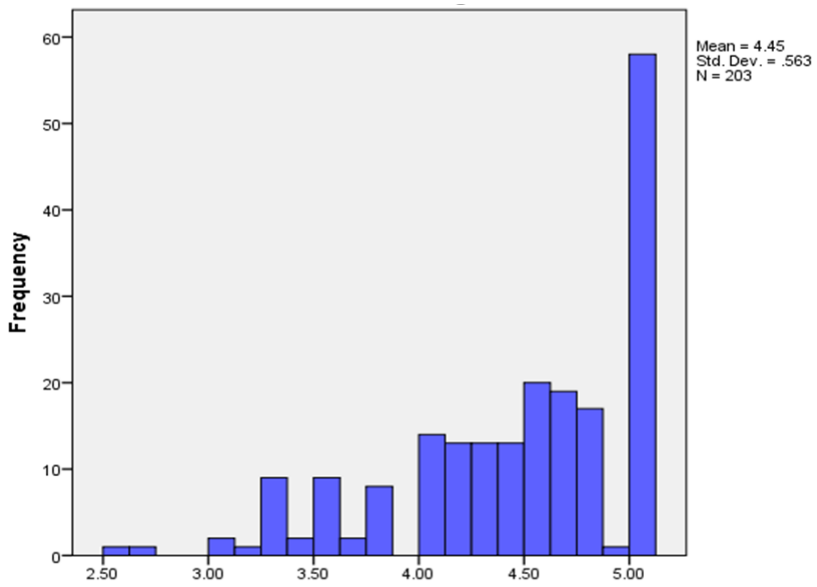
This construct consists of the seven questions outlined in Table 23. On average, respondents felt that the Effectiveness of oversight bodies within the organisation was reasonably strong, with the overall mean score of 4.45 for the construct. Using the corporate governance assessment scale, the mean values for each question and overall construct, lie between 4 (strong) and 5 (very strong). Based on the response frequency tables presented in Appendix 9.4, at least 49% of respondents strongly agreed (5-highest end of the Likert scale) with the positively worded statements of each question, thus explaining the strong average scores. The latter is supported by the maximum score of 5 noted for each question. The questions covered aspects around effectiveness of the audit committee, internal audit function and compliance within the organisation.

The histogram in Figure 14 for the construct, reflects that the data set is dispersed around the mean with a flatter distribution and a negative skew. The skewness and kurtosis values for the construct, were -0.983 and 0.259 respectively, applying similar standard error values as the overall analysis.

Table 23 : Descriptive statistics - Effectiveness of oversight bodies

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Audit Committee 1	203	1.00	5.00	4.42	.82500
Audit Committee 2	203	1.00	5.00	4.48	.78985
Audit Committee 3	203	2.00	5.00	4.35	.76967
Internal audit 1	203	2.00	5.00	4.49	.69900
Internal audit 2	203	2.00	5.00	4.40	.73244
Internal audit 3	203	1.00	5.00	4.32	.83014
Compliance with laws and std 3	203	3.00	5.00	4.68	.52700
Average score for Construct 1	**203**	**2.57**	**5.00**	**4.45**	**.56334**
Valid N (listwise)	203				

Figure 14 : Histogram - Effectiveness of oversight bodies



- **Construct two - Leadership accountability**

This construct consists of the seven questions in Table 24, centering on leadership's accountability for risk, internal controls and management of internal and external stakeholders. On average (4.13), respondents felt that Leadership accountability to stakeholders and the organisation was strong. However, the questions relating to the governance of risk and stakeholder management, reflected a score just above average falling within the range of moderate (3) to strong (4) using the governance assessment scale. These scores showed that, respondents were less confident in their assessment of stakeholder communication programs, management of risk tolerance levels and appetite and the communication of risk. The response rates for these questions (Appendix 9.4) revealed that at least 55% of the respondents assigned a Likert scale

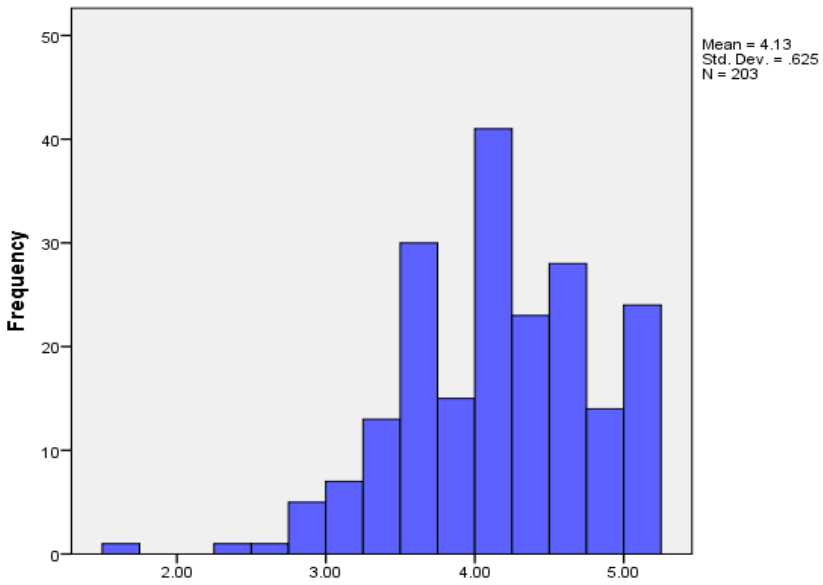
rating of 4 (Somewhat agree) and below, with at least 25% of these responses being ratings of 3 (Neither disagree/agree) and below (2 and 1 scale ratings).

Table 24 : Descriptive statistics - Leadership accountability

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Board and Directors 1	203	2.00	5.00	4.52	.65428
Board and Directors 2	203	1.00	5.00	4.43	.72890
Board and Directors 3	203	1.00	5.00	4.36	.76632
Governance of risk 1	203	1.00	5.00	3.94	.92668
Governance of risk 2	203	1.00	5.00	3.75	1.03813
Stakeholders 1	203	1.00	5.00	3.97	.85815
Stakeholders 2	203	1.00	5.00	3.96	.88911
Average values for Construct 2	**203**	**1.71**	**5.00**	**4.13**	**.62505**
Valid N (listwise)	203				

The histogram in Figure 15, is negatively skewed (skewness statistic of -0.561) with a less pointed data set (kurtosis statistic of 0.260) applying the same standard error values as the preceding section. It also reflects that the data is dispersed somewhat fairly around the mean value of 4.13, illustrating that the mean is a good representation of the corporate governance performance relating to this construct (Field, 2009). Furthermore, the mean value is seen to approximate the modal value.

Figure 15 : Histogram – Leadership accountability



- **Construct three – Internal controls and policies**

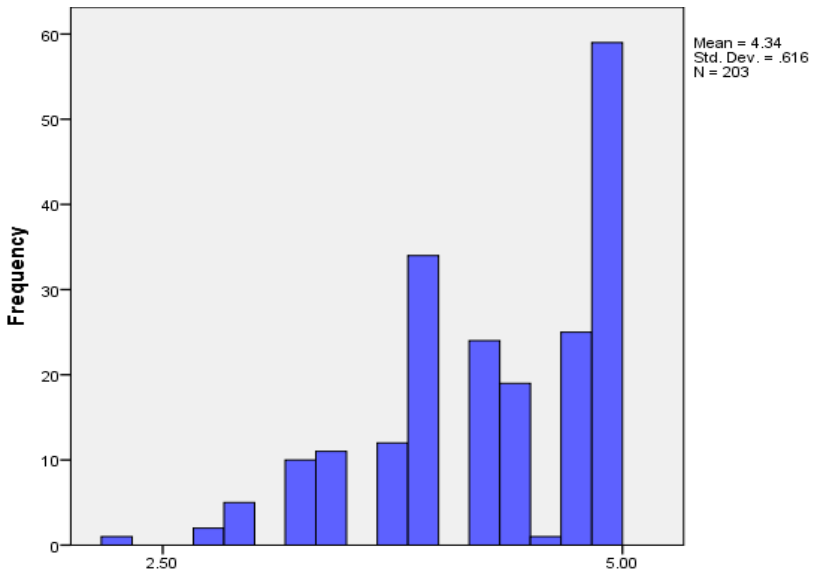
This construct consists of the four questions in Table 25, relating to the existence and effectiveness of governance of policies and controls and a general question on the application of ethical policies within the organisation. On average, the mean value of 4.34, indicated that respondents felt that the Effectiveness of Internal controls and policies in the multinational company, was reasonably strong. For the questions relating to IT governance, at least 70% (refer to Appendix 9.4) of the respondents assigned a rating of 4 (somewhat agree) and 5 (strongly agree). For the general question on the existence of ethical policies to guide day to day operations, approximately 94% (Appendix 9.4) of respondents agreed to this (rating of 4 and 5).

Table 25 : Descriptive statistics – Internal controls and policies

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Governance of IT 1	203	2.00	5.00	4.35	.73726
Governance of IT 2	203	2.00	5.00	4.24	.79810
Governance of IT 3	203	1.00	5.00	4.11	.88587
Compliance with laws and std 2	203	2.00	5.00	4.65	.58900
Average score for Construct 3	**203**	**2.25**	**5.00**	**4.34**	**.61634**
Valid N (listwise)	203				

The histogram for the construct in Figure 16, is negatively skewed (-0.708). Despite the wide dispersion of data around the mean, this could infer to the fact that the questions in the survey covered the different corporate governance levels across contexts.

Figure 16 : Histogram – Internal controls and policies



- **Construct four – Ethical tone**

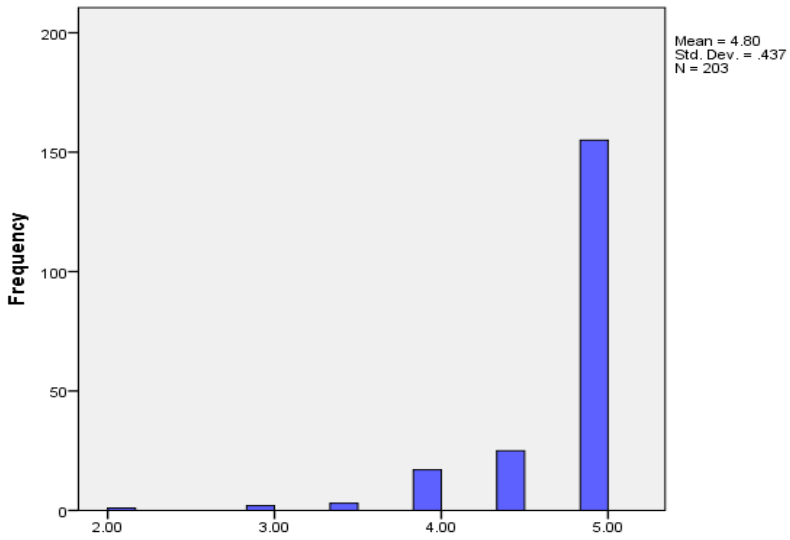
The two questions making up this construct in Table 26, speak to the ethical tone within the organisation, alluding to the tone at the top and the organisational culture. The mean score of 4.80, reflected that on average, respondents felt very strongly about the existence of an ethical organisation culture and leadership tone. This is reflected in the response rate for each question (Appendix 9.4), where 80% of the respondents strongly agreed (high) with the statements therein.

Table 26 : Descriptive statistics – Ethical tone

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Ethical Leadership 2	203	2.00	5.00	4.79	.49680
Ethical Leadership 3	203	2.00	5.00	4.80	.46376
Average values for Construct 4	**203**	**2.00**	**5.00**	**4.80**	**.43741**
Valid N (listwise)	203				

Despite the wide dispersion of data around the mean depicted in Figure 17, the mean value approximates the mode of 5. This provides a good estimate of measuring the construct.

Figure 17 : Histogram – Ethical tone



- **Construct five – Reporting transparently**

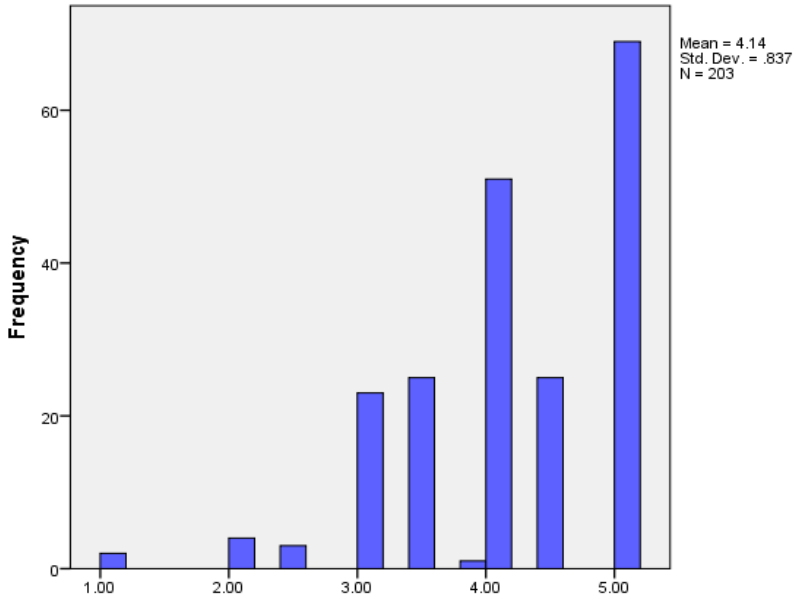
With a mean score of 4.14, respondents felt on average, that the disclosure and reporting on both financial and non-financial aspects was strong. The majority of the respondents (at least 70%), selected Likert scale item 4 and 5, for the questions (Appendix 9.4),

Table 27 : Descriptive statistics – Reporting transparently

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Integrated Reporting 1	203	1.00	5.00	4.24	.88616
Integrated Reporting 2	203	1.00	5.00	4.03	.91961
Average values for Construct 5	**203**	**1.00**	**5.00**	**4.14**	**.83712**
Valid N (listwise)	203				

The skewness statistic of -0.920 refers to the negatively skewed data in Figure 18. Most respondents' answers are in the range of 4 and 5 thus, the mean is accepted as a good representation of the data set.

Figure 18 : Histogram – Reporting transparently



5.6.4 Descriptive statistics by country category

Table 28 reflects descriptive statistics on an overall basis for the two categories of developed and developing countries. Developed countries consists of UK and USA, while developing countries consist of South Africa, Ghana, Nigeria, Angola and Brazil.

Table 28 : Descriptive statistics - Country category corporate governance index

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Developed countries	**46**	**3.86**	**5.00**	**4.5794**	**.32246**
Developing countries	**157**	**2.41**	**5.00**	**4.2576**	**.50934**

It was apparent that there was a lower average corporate governance score (index) in developing countries as opposed to developed countries, although both assessed as strong. The mean score per construct (Appendix 9.7), reflected that developed countries scored higher on each than developing countries. The difference between the minimum and maximum for each category showed a close dispersion around the mean, inferring that the mean is a reliable representation of the data. The test of differences in section 5.10, further explore the significance of differences between the categories.

5.6.5 Descriptive statistics by region

The descriptive results by region, reflected the same pattern as those in 5.6.4. Europe and North America reflected stronger corporate governance than Africa and Latin America. The lowest score overall in Table 29, is seen with Latin America, although still assessed as strong. In Brazil, the Reporting transparently construct was particularly noted to be lower in comparison to other regions, with an average score of 3.88 (Appendix 9.7). This mean was in the range of moderate (3) and strong (4).

The dispersion around the mean for each region was low, given the small distance between the minimum and maximum, suggesting that the mean is a good representation of the data per region. The test of differences in section 5.10, further explore the statistical difference between regions, including an analysis of where the differences lie.

Table 29 : Descriptive statistics – Regional corporate governance indices

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Africa	**123**	**2.41**	**5.00**	**4.2649**	**.52827**
Latin America	**34**	**3.32**	**5.00**	**4.2313**	**.44018**
North America	**19**	**3.86**	**5.00**	**4.6268**	**.35163**
Europe	**27**	**4.00**	**5.00**	**4.5461**	**.30261**

5.6.6 Descriptive statistics by country

The corporate governance assessment per country, was between strong (4) to very strong (5). The descriptive results by country in Table 30 reflect South Africa and Brazil as having the lowest corporate governance scores. Furthermore, on average, respondents perceived a moderate corporate governance level (below 4) for the construct around Reporting transparently in both countries (Appendix 9.7). Additionally Leadership accountability in South Africa was below 4 (Appendix 9.7) which lies between moderate and strong.

Interestingly, Nigeria and the USA, which are on complete ends of the spectrum in terms of transparency, had average scores for the Ethical tone construct which approximated each other (Appendix 9.7). Furthermore, Angola's score for Reporting transparently was higher than the USA and UK (Appendix 9.7). The distance between the minimum and maximum below, show that data was not widely dispersed around the mean. Appendix 9.6 shows the frequency distribution per country, with fairly normally distributed data for Angola, UK, Brazil and South Africa. Tests of differences between countries is further explored in section 5.10.

Table 30 : Descriptive statistics – Country corporate governance indices

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Nigeria	**30**	**3.41**	**5.00**	**4.3769**	**.49044**
South Africa	**53**	**2.41**	**5.00**	**4.1449**	**.56161**
Angola	**9**	**3.77**	**5.00**	**4.4634**	**.40472**
USA	**19**	**3.86**	**5.00**	**4.6268**	**.35163**
Brazil	**34**	**3.32**	**5.00**	**4.2313**	**.44018**
Ghana	**31**	**3.05**	**5.00**	**4.3041**	**.51047**
UK	**27**	**4.00**	**5.00**	**4.5461**	**.30261**

5.7 Statistical results: Research question one

To ascertain whether multinational companies conform to strong levels of corporate governance practices in environments with weak state transparency, a correlation analysis (two-tailed test of association) was performed. The Spearman's correlation was used to accommodate the ordinal data (corporate governance) and continuous data (transparency index) in the test (Field, 2009). The dependent variable was corporate governance while the independent variable was the transparency index.

The analysis was performed on a participant level, and due correlation assumption and use of paired variables (Field, 2009), the transparency index was added as a variable, with each respondent answer on the specific corporate governance aspects, being paired to the transparency index for the country where they are based. The sample was 157, consisting of only the respondents from operating environments with deemed weak state transparency, to mirror the focus of the research question. Using the significance level of $p<0.05$ (the statistical significance of the correlation coefficient from zero), and the correlation coefficient's distance from 0, -1, and +1, the results overall and per construct are outlined below.

- **Overall corporate governance**

H1a$_o$ There is no correlation between the overall corporate governance index of multinational companies' subsidiaries, and the transparency index in developing countries of operation.

H1a$_1$ There is a correlation between the overall corporate governance index of multinational companies' subsidiaries, and the transparency index in developing countries of operation.

Table 31 : Correlation – Transparency index and corporate governance index

Correlations			Transparency Index	Overall corporate governance
Spearman's rho	Transparency Index	Correlation Coefficient	1.000	-.153
		Sig. (2-tailed)	.	.056
		N	157	157
	Overall corporate governance	Correlation Coefficient	-.153	1.000
		Sig. (2-tailed)	.056	.
		N	157	157

Table 31 infers that there is no statistically significant relationship ($p>0.05$) between a developing country's transparency index and the level of corporate governance applied by multinational companies' subsidiaries. A weak negative association existed (R_s= -0.153). The researcher failed to reject the null hypothesis H1a$_o$ as there was insufficient evidence at the 5% significance level, to conclude that the association exists.

- **Construct one - Effectiveness of oversight bodies**

H1b$_o$ There is no correlation between the Effectiveness of oversight bodies in multinational companies' subsidiaries, and the transparency index in developing countries of operation.

H1b$_1$ There is a correlation between the Effectiveness of oversight bodies in multinational companies' subsidiaries, and the transparency index in developing countries.

Table 32 : Correlation – Transparency index and Oversight bodies

Correlations			Transparency Index	Oversight bodies
Spearman's rho	Transparency Index	Correlation Coefficient	1.000	.040
		Sig. (2-tailed)	.	.618
		N	157	157
	Oversight bodies	Correlation Coefficient	.040	1.000
		Sig. (2-tailed)	.618	.
		N	157	157

With a correlation coefficient of Rs=0.040, there was a very weak positive association between the effectiveness of oversight bodies in multinational companies' subsidiaries and the transparency index of a developing country of operation. With p>0.05, showing an insignificant relationship, the researcher failed to reject the null hypothesis, $H1b_o$. There was insufficient evidence at a 5% significance level that the association exists.

- **Construct two - Leadership accountability**

$H1c_o$ There is no correlation between Leadership accountability in multinational companies' subsidiaries, and the transparency index in developing countries operation.

$H1c_1$ There is a correlation between Leadership accountability in multinational companies' subsidiaries and the transparency index in developing countries.

Table 33 : Correlation – Transparency index and Leadership accountability

Correlations			Transparency Index	Leadership Accountability
Spearman's rho	Transparency Index	Correlation Coefficient	1.000	-.201*
		Sig. (2-tailed)	.	.012
		N	157	157
	Leadership Accountability	Correlation Coefficient	-.201*	1.000
		Sig. (2-tailed)	.012	.
		N	157	157

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

There was a statistical significance between leadership accountability and the transparency index, with the p-value being less than 0.05. The researcher therefore rejected the null hypothesis $H1c_o$. Additionally the negative relationship found, was weak to moderate (Rs=-0.201). There was sufficient evidence at the 5% significance level to conclude that the association exists.

- **Construct three - Internal controls and policies**

$H1d_o$ There is no correlation between the effectiveness of Internal controls and policies of multinational companies' subsidiaries, and the transparency index in developing countries of operation.

$H1d_1$ There is a correlation between the effectiveness of the internal controls and policies of multinational companies' subsidiaries, and the transparency index in developing countries.

Table 34 reflects a weak statistical association between the effectiveness of internal controls and policies of multinational companies' subsidiaries, and the transparency index of a developing country, with a p-value = 0.026 and the R_s=-0.177. Therefore the

researcher failed to reject the null hypothesis $H1d_o$ at the 5% significance level, as there was insufficient evidence to conclude that the association exists.

Table 34 : Correlation – Transparency index and Internal controls and policies

Correlations			Transparency Index	Internal Controls and Policies
Spearman's rho	Transparency Index	Correlation Coefficient	1.000	-.177*
		Sig. (2-tailed)	.	.026
		N	157	157
	Internal Controls and Policies	Correlation Coefficient	-.177*	1.000
		Sig. (2-tailed)	.026	.
		N	157	157

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

- **Construct four - Ethical tone**

$H1e_o$ There is no correlation between the ethical tone of multinational companies' subsidiaries, and the state transparency index in developing countries of operation.

$H1e_1$ There is a correlation between the ethical tone of subsidiaries of multinational companies' subsidiaries, and the state transparency index in developing countries.

Table 35 : Correlation – Transparency index and Ethical tone

Correlations			Transparency Index	Ethical Tone
Spearman's rho	Transparency Index	Correlation Coefficient	1.000	-.143
		Sig. (2-tailed)	.	.074
		N	157	157
	Ethical Tone	Correlation Coefficient	-.143	1.000
		Sig. (2-tailed)	.074	.
		N	157	157

There was no statistical association between the ethical tone in multinational companies' subsidiaries and the transparency index of a developing country of operation, with p-value=0.074. The correlation coefficient R_s=-0.143, indicated a weak negative association. Therefore the researcher failed to reject the null hypothesis $H1e_o$.

- **Construct five - Reporting transparently**

$H1f_o$ There is no correlation between reporting transparently in multinational companies' subsidiaries, and the state transparency index in developing countries of operation.

$H1f_1$ There is a correlation between reporting transparently in multinational companies' subsidiaries, and the state transparency index in developing countries of operation.

Table 36 : Correlation – Transparency index and Reporting transparently

Correlations			Transparency Index	Reporting transparently
Spearman's rho	Transparency Index	Correlation Coefficient	1.000	-.155
		Sig. (2-tailed)	.	.052
		N	157	157
	Reporting transparently	Correlation Coefficient	-.155	1.000
		Sig. (2-tailed)	.052	.
		N	157	157

There was no statistically significant association between reporting transparently in multinational companies' subsidiaries, and the transparency index of the developing country of operation, with a p-value=0.052. A negative weak relationship with R_s=-0.155 existed. Therefore the researcher failed to reject the null hypothesis $H1f_o$, as there was insufficient evidence at the 5% significance level to conclude that the association exists. The results from the correlation analyses, are examined together with aspects of the literature review and results from other statistical tests in Chapter Six.

5.8 Correlation between constructs

A correlation analysis was performed to analyse the relationship between constructs. This analysis was also important to assess for multicollinearity between variables (Field, 2009), which might have impacted the analyses performed for Research Question Two, in the form of regression tests. Selection of Spearman's correlation was motivated by analysis of normality in the data presented in the preceding section on each construct, which outlined that data per construct was not normally distributed (Field, 2009).

The results presented in Table 37, reflect that the correlation between all constructs is significant ($p<0.001$). All constructs were found to be positively correlated with the other constructs, as all correlation coefficients were greater than 0. The closer the correlation is to 0 the weaker the relationship is. Thus -1 indicates a perfectly negative correlation, while +1 indicates perfect positive correlation (Wegner, 2016). Using these parameters, correlation between constructs is assessed in the paragraph succeeding Table 37.

For assessing multicollinearity, a threshold for correlation coefficients, of 0.80 or 0.90 was suggested by Field (2009). No coefficients above 0.80 were noted, which proved the regression assumption of no multicollinearity.

A two-tailed correlation analysis was performed on an overall basis, specifically to assess the strength of any positive or negative relationships between constructs (Wegner, 2016).

Table 37 : Correlations between constructs

			Effectiveness of oversight bodies	Leadership Accountability	Internal Controls and Policies	Ethical Tone	Reporting transparently
Spearman's rho	Effectiveness of oversight bodies	Correlation Coefficient	1.000	.613**	.589**	.429**	.468**
		Sig. (2-tailed)	.	.000	.000	.000	.000
		N	203	203	203	203	203
	Leadership Accountability	Correlation Coefficient	.613**	1.000	.670**	.453**	.530**
		Sig. (2-tailed)	.000	.	.000	.000	.000
		N	203	203	203	203	203
	Internal Controls and Policies	Correlation Coefficient	.589**	.670**	1.000	.419**	.510**
		Sig. (2-tailed)	.000	.000	.	.000	.000
		N	203	203	203	203	203
	Ethical Tone	Correlation Coefficient	.429**	.453**	.419**	1.000	.280**
		Sig. (2-tailed)	.000	.000	.000	.	.000
		N	203	203	203	203	203
	Reporting transparently	Correlation Coefficient	.468**	.530**	.510**	.280**	1.000
		Sig. (2-tailed)	.000	.000	.000	.000	.
		N	203	203	203	203	203

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

Looking at the stronger relationships with a coefficient above 0.50 the following refers:

- Effectiveness of oversight bodies had a strong correlation with internal controls and policies (r_s=0.589) and leadership accountability (r_s=0.613). This suggests that the oversight of risk and the controls environment by the internal audit function and audit committee, raises accountability with leadership as they are directly responsible for internal controls and risk management, which impacts the effectiveness of the internal controls and policies within the organisation.
- In addition to internal controls and policies (r_s=0.670), leadership accountability was strongly correlated with reporting transparently (r_s=0.530). This suggests that increased leadership accountability, results in more transparent leadership actions, as seen in their reporting practices to external stakeholders.

Looking at the weakest correlation coefficient between ethical tone and reporting transparently (r_s=0.280), it proposes an existent but indirect relationship between the two. This is expected, given that the former deals with internal governance of ethics and fraud, while the latter deals with reporting to outside stakeholders holistically on issues such as non-financial and financial aspects. Results of correlation analysis, will be incorporated in Chapter Six, discussion of results.

5.9 Statistical results: Research question two

The methods and results of the tests performed for Research Question Two, are outlined in the following sections.

5.9.1 Correlation - corporate governance and sales growth

A correlation analysis was performed between corporate governance aspects and sales growth, to explore any statistically significant relationships between the two variables. The results are reflected in Table 38. The test was firstly performed for all countries (developed and developing) for comparison purposes, and subsequently for developing countries which is the primary focus of the question.

H2a$_o$ There is no correlation between corporate governance practices of multinational companies' subsidiaries, and sales growth in all operating environments.

H2a$_1$ There is a correlation between corporate governance practices of multinational companies' subsidiaries, and sales growth in all operating environments.

H2b$_o$ There is no correlation between corporate governance practices of multinational companies' subsidiaries, and sales growth in weak operating environments.

H2b$_1$ There is a correlation between corporate governance practices of multinational companies' subsidiaries, and sales growth in weak operating environments.

Table 38 : Correlation: corporate governance and sales growth

Correlations – overall all countries							
Spearman's rho	Sales growth	Oversight bodies	Leadership Accountability	Internal Controls and Policies	Ethical Tone	Reporting transparently	Overall corporate governance
Correlation Coefficient	1.000	.153*	.013	-.016	.003	.101	.086
Sig. (2-tailed)	.	.029	.858	.824	.966	.150	.225
N	203	203	203	203	203	203	203
Correlations – weak countries							
Spearman's rho	Sales growth	Oversight bodies	Leadership Accountability	Internal Controls and Policies	Ethical Tone	Reporting transparently	Overall corporate governance
Correlation Coefficient	1.000	.122	-.059	-.036	.034	.108	.046
Sig. (2-tailed)	.	.127	.461	.655	.670	.177	.567
N	157	157	157	157	157	157	157

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

The correlation for all countries, reflected a significant positive association between Effectiveness of oversight bodies and sales growth, with R_s=0.153 and p-value=0.029. Thus the null hypothesis H2a$_o$ was rejected.

For countries with weak state transparency, no significant associations were noted. Reporting transparently and Effectiveness of oversight bodies were positively associated with sales growth, with weaker relationships noted with Ethical tone and Overall corporate governance. Insignificant negative relationships were noted between Internal controls and policies and Leadership accountability, and sales growth. The latter supports the correlation noted between Leadership accountability and Internal controls and policies in section 5.8. Thus the researcher failed to reject the null hypothesis H2b$_o$.

5.9.2 Regression - corporate governance and sales growth

This was performed between corporate governance and sales growth, primarily for subsidiaries in developing countries (Latin America and Africa, therefore N=157). The average sales growth for the 2015 and 2016 years was allotted to each participant based on their region. The coefficient of determination R^2, which explains the variation in the dependent variable that is explained by the independent variable (Wegner, 2016) was analysed. Additionally, the ANOVA test for good fit assessed the significance of the

model, using p<0.05 (95% confidence interval), thus determining if the independent variable is a good predictor of the dependent variable. The results are presented on a limited basis below, as the statistical model was not a good fit for this study.

H2c$_0$ There is no relationship between stronger internal corporate governance practices by subsidiaries of multinationals and sales growth, in countries with weak state transparency.

H2c$_1$ There is a relationship between stronger internal corporate governance practices by subsidiaries of multinationals and sales growth, in countries with weak state transparency.

The model summary and the ANOVA table for good fit between overall corporate governance (predictor variable) in weak operating environments, and sales growth (target variable), presented an Adjusted R^2 of -0.006 (-0.6%). This inferred that the percentage of variance in sales growth, which can be explained by corporate governance, was -0.6%. The outcome of the model was F (1, 155) = 0.115, p=0.735. With a p>0.05, the model was therefore not a good fit, and it was concluded that corporate governance cannot be used as a predictor of operating performance for this study. The researcher therefore, failed to reject the null hypothesis at the 0.05 significance level.

A similar outcome was noted for a regression test performed inclusive of all regions (developed and developing), and their sales growth. Additionally, a multiple regression was also performed between all five constructs (predictor variables) against the sales growth (target variable) for developing countries only. The outcome of the model was F (5, 151) = 2.15, p=0.063. With an Adjusted R^2 of 3.6%, this again reflected that corporate governance aspects are not predictors of operating performance.

5.9.3 Correlation - transparency index and sales growth correlation

The researcher also deemed it appropriate to perform a correlation analysis between the transparency index and sales growth to establish the relationship between institutional factors and operating performance. This was also performed to enhance the analysis of the interplay, between internal corporate governance and external country governance. It was performed for with weak state transparency. Results are shown in Table 39 below:

H2A$_o$ There is no correlation between the transparency index, and sales growth of multinational companies' subsidiaries in weak operating environments.

H2A$_1$ There is a correlation between the transparency index, and sales growth of multinational companies' subsidiaries in weak operating environments.

Table 39 : Correlation: transparency index and sales growth correlation

Correlations – weak countries			Sales growth	Transparency Index
Spearman's rho	Sales growth	Correlation Coefficient	1.000	.270**
		Sig. (2-tailed)	.	.001
		N	157	157
	Transparency Index	Correlation Coefficient	.270**	1.000
		Sig. (2-tailed)	.001	.
		N	157	157

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

There was a significant ($p<0.05$) positive association ($R_s=0.270$), between the transparency index and corporate governance in operating environments with weak state transparency. The null hypothesis was thus rejected at the 5% significance level. Results are discussed in Chapter Six.

5.10 Statistical results: Research question three

An independent sample t-test (two independent categorical groups) and one-way ANOVA (three or more independent categorical groups) were performed to test for significant differences in corporate governance levels, of the multinational companies' subsidiaries. This was performed on a country, regional, and employee level, to validate the differences in the average scores. A post-hoc analysis to determine where differences noted resided, was applied. A significance level of $p<0.05$ (confidence level of 95%), was used (Field, 2009).

An assumption of the independent sample t-test and the ANOVA is homogeneity of variances (population variances between groups are equal), determined by the significance of the Levene's statistic ($p>0.05$, confidence interval 95%). The output for the test of homogeneity of variances, was analysed, as violation of this assumption, implies using the Welch ANOVA (Robust test of equality) (Field, 2009), and the Games-Howell post-hoc analysis as opposed to Tukey. As the box plot for overall corporate governance level per country reflected no significant outliers, normality of dependent variable's distribution is assumed.

5.10.1 Comparing scores between developed and developing markets

H3a$_o$ The average score for the level of corporate governance practices for multinational companies, between the two country categories is the same.

H3a$_1$ The population average scores are not the same.

The average scores in section 5.6.4, reflected that developing countries apply lower levels of corporate governance than developed countries. Tests of differences were performed to validate this, as below.

Table 40 : Test of significant differences - developed and developing countries

		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference
1 Effectiveness of oversight bodies	Equal variances assumed	12.699	.000	3.913	201	.000	.35711
	Equal variances not assumed			4.856	110.482	.000	.35711
2 Leadership accountability	Equal variances assumed	7.055	.009	3.948	201	.000	.39954
	Equal variances not assumed			4.832	107.012	.000	.39954
3 Internal controls and policies	Equal variances assumed	9.762	.002	2.350	201	.020	.24020
	Equal variances not assumed			2.780	99.234	.006	.24020
4 Ethical tone	Equal variances assumed	13.491	.000	2.063	201	.040	.15008
	Equal variances not assumed			2.768	134.173	.006	.15008
5 Reporting transparently	Equal variances assumed	1.998	.159	1.872	201	.063	.26106
	Equal variances not assumed			2.117	90.578	.037	.26106
Overall corporate governance	Equal variances assumed	7.609	.006	4.050	201	.000	.32180
	Equal variances not assumed			5.145	116.829	.000	.32180

The Levene's test statistic in Table 40, was analysed per aspect for significance ($p>0.05$). Based on this, Reporting transparently, is the only construct for which equality of variances could be assumed. Thus, the equal variances not assumed statistic was applied, to assess all other corporate governance variables. Thereafter, applying a significance level of $p<0.05$, on the t-values the following applied:

- Significant differences existed between the means of the developed market and developing market populations for overall corporate governance, and for all constructs except Reporting transparently (p-value=0.063). The null hypothesis was therefore rejected. The outcome is discussed in Chapter Six.

5.10.2 Comparing scores between regions

$H3b_o$ The average score for the level of corporate governance practices for multinational companies, in each region of operation is the same.

$H3b_1$ At least one region has a different level of application of corporate governance practices.

The average scores by region in section 5.6.5, reflected that Europe and North America apply stronger corporate governance than Africa and Latin America. This is validated through the test of differences below.

Table 41 : Test of significant differences - regions

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
5 Reporting transparently	Between Groups	4.279	3	1.426	2.068	.106
	Within Groups	137.276	199	.690		
	Total	141.555	202			

Robust Tests of Equality of Means					
		Statistic	df1	df2	Sig.
Overall corporate governance	Welch	8.839	3	59.004	.000
1 Effectiveness of oversight bodies	Welch	10.097	3	59.128	.000
2 Leadership accountability	Welch	7.646	3	57.726	.000
3 Internal controls and policies	Welch	2.719	3	55.849	.053
4 Ethical tone	Welch	3.589	3	60.625	.019

The assumption for homogeneity of variances for Reporting transparently was met with $p>0.05$. However for Overall corporate governance and the remaining constructs, $p<0.05$ implying the assumption of homogeneity of variances was violated. Thus Welch ANOVA and the Games-Howell post-hoc tests, were applied to these.

Table 41, reflects significant differences between regions, for Overall corporate governance, Effectiveness of oversight bodies, Leadership accountability, and Ethical tone (p-values<0.05). However for Internal controls and policies and Reporting transparently, the $p>0.05$ indicating no significant differences between regions. The results resonated with those of the test of differences between country categories. The null hypothesis was rejected in favour of the alternate hypothesis.

The Games-Howel post-hoc analysis revealed the following differences. No significant differences were noted between Europe and North America.

- For Overall corporate governance, significant differences were found between Africa and Europe (p=0.002) and Latin America and Europe (p=0.009). Additionally these were noted between North America and Africa (p=0.003) and North America and Latin America (p=0.005).
- The same significant results were noted in the Effectiveness of oversight construct, between Africa and Europe (p=0.045), Latin America and Europe (p=0.010), Africa and North America (p=0.000), and lastly, Latin America and North America (p=0.000).
- Leadership accountability attained significant differences between Africa and Europe (p=0.002) and Africa and North America (p=0.003).

- Ethical tone yielded a significant difference between Africa and Europe (p=0.018).

5.10.3 Comparing scores between countries

H3c$_0$ The average score for the level of corporate governance practices for multinational companies, in each country of operation is the same.

H3c$_1$ At least one country has a different level of application of corporate governance practices.

The average scores overall and per construct across countries are in depicted in section 5.6.4 and Appendix 9.7. The significance statistic in for the homogeneity of variances, for Overall corporate governance and constructs two, three and five was, p>0.05. Thus the assumption of homogeneity of variances was met. However for the Effectiveness of oversight bodies and Ethical tone, p<0.05 implying violation of the assumption, and using the Welch test as reflected in Table 40 below. Table 40, displays existent significant differences overall and for all constructs (p-values<0.05), except for Internal controls and policies with output *F*(6,196) 2.127, p=0.052.

Table 42 : Test of significant differences - countries

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Overall corporate governance	Between Groups	5.329	6	.888	4.001	.001
	Within Groups	43.504	196	.222		
	Total	48.833	202			
2 Leadership accountability	Between Groups	9.863	6	1.644	4.666	.000
	Within Groups	69.056	196	.352		
	Total	78.920	202			
3 Internal controls and policies	Between Groups	4.690	6	.782	2.127	.052
	Within Groups	72.045	196	.368		
	Total	76.736	202			
5 Reporting transparently	Between Groups	9.457	6	1.576	2.339	.033
	Within Groups	132.098	196	.674		
	Total	141.555	202			

Robust Tests of Equality of Means					
		Statistic	df1	df2	Sig.
1 Effectiveness of oversight bodies	Welch	4.924	6	62.194	.000
4 Ethical tone	Welch	2.264	6	60.291	.049

Based on the above, the researcher rejected the null hypothesis. For Overall corporate governance, the Tukey post-hoc analysis revealed significant differences between South Africa and the USA (p=0.003) and South Africa and the UK (p=0.007). The latter showed the dynamism between corporate governance in developing versus developed markets.

Specifically looking at construct results, the same was noted for the Leadership accountability Tukey analysis, where the differences between South Africa and USA, and South Africa and UK, were significant at p=0.001 and p=0.002 respectively. Using the Games-Howell post-hoc analysis, significant differences were noted in the effectiveness of oversight bodies, between the USA and Brazil (p=0.001), and the USA and South Africa (p=0.011). The same analysis for the Ethical tone reveals a significant difference between the UK and South Africa (p=0.026) exists. The results showed the mean score for the corporate governance index constructs was higher for the USA and the UK than all of the countries with weak state transparency.

Although the ANOVA indicated that significant differences exist with Reporting transparently, the Tukey post-hoc analysis produced no significant differences. The test was therefore re-run without the variable and a similar outcome for the other constructs in terms of significance of differences. However, for the post-hoc analysis, the Effectiveness of oversight bodies construct, yielded additional significant differences between Brazil and UK (p=0.29), and USA and Ghana (p=0.15). Results of the significant differences are discussed in Chapter Six.

5.10.4 Comparing scores between employees

H3d$_o$ The average score of the perceived level of corporate governance practices for multinational companies is the same across all employee levels.

H3d$_1$ At least one employee level has a different level of perception of corporate governance practices.

The descriptive statistics by employee level are shown in Appendix 9.7 overall and for each construct, consistently showing that the average score by middle management and management classified as none of the above (not in leadership, senior or middle management), assigned lower scores on corporate governance than senior management and leadership management. The employees classified as none of the above, are referred to hereon as lower staff levels.

Table 43 : Test of significant differences - employees

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Overall corporate governance	Between Groups	2.537	3	.846	3.634	.014
	Within Groups	46.297	199	.233		
	Total	48.833	202			
2 Leadership accountability	Between Groups	2.629	3	.876	2.286	.080
	Within Groups	76.291	199	.383		
	Total	78.920	202			
3 Internal controls and policies	Between Groups	.884	3	.295	.773	.510
	Within Groups	75.852	199	.381		
	Total	76.736	202			
5 Reporting transparently	Between Groups	8.462	3	2.821	4.218	.006
	Within Groups	133.092	199	.669		
	Total	141.555	202			

Robust Tests of Equality of Means					
		Statistic	df1	df2	Sig.
1 Effectiveness of oversight bodies	Welch	7.153	3	74.983	.000
4 Ethical tone	Welch	5.823	3	90.683	.001

The significance level for the overall corporate governance, and constructs two, three, and five is p>0.05, thus the assumption of homogeneity of variances has been met. However the effectiveness of oversight bodies and the ethical tone constructs, have p-values of less than 0.05 implying significance and the assumption of homogeneity of variances is violated. The Welch ANOVA and Games-Howell test is applied for these.

The ANOVA Table 43, reflects that significant differences between the average responses by level of employee, on the overall corporate governance level and for constructs one, four and five (p-values<0.05 with a 95% confidence interval). However for constructs two and three the p-values are >0.05 indicating that there is no significant differences between the employees level in their assessment of these. Based on the above the null hypothesis is rejected in favour of the alternate hypothesis.

The post-hoc analyses performed revealed the following results, with regards to where the differences noted lie:

- For the reporting transparency construct, using the Tukey post-hoc analysis, a significant difference with p=0.003 was noted between senior management and lower staff levels' (None of the above answers) perception of this construct. Senior management had a higher mean score. No other differences were noted.
- Using the Games-Howell post-hoc analysis, significant differences with the effectiveness of oversight bodies construct were noted between leadership and middle management (0.012) and leadership and lower staff levels (0.013), with

leadership perceiving a higher average score in both instances. Additionally, significant differences existed between senior management and middle management (0.005) and senior management and lower staff levels (0.007). Senior management perceived a higher average score for both instances.

- Using the Games-Howell post-hoc analysis, significant differences with the ethical tone construct were noted between leadership and middle management (0.005), and leadership and lower staff levels (0.019). Leadership perceived a higher average score for both instances.

No significant differences were noted between the overall corporate governance score using the Tukey post-hoc analysis, despite the significant result in the ANOVA output. The test was therefore re-run without this variable, to see if a different result would be yielded. A similar outcome was noted with the other constructs, including the post-hoc analysis. No other conflicting results were noted.

5.11 Qualitative Results

Data from the three open-ended questions was coded, for emergent themes by country. Themes were divided into confirmatory (to the literature review) and new insights. The results are presented Table 44, 45 and 46 below. Detailed key take-outs are in Appendix 9.8 per country, including an indication of repeat comments.

Question 1: What are some of the external factors in the country's operating environment that challenge ethical practices within your organisation?

Table 44: Question one qualitative analysis: key country themes

Developing Countries		
Question 1	**Confirmatory**	**New insights**
Nigeria, Ghana, Brazil, South Africa	- Weak regulation system (effectiveness, consistency)	
Nigeria, Ghana, Angola, Brazil	- Market factors -uncontrolled informal market and competition - Economic climate	- Poverty and lack of basic services - Socio-economic factors
Angola, Ghana, South Africa, Nigeria, Brazil	Culture of bribery and corruption - Government (Public sector) self-interest - Historical inequalities - Public sector corruption bribery and bureaucracy - Private sector bribery	
Nigeria	Tribalism, God-fatherism and fiefdoms within politics	
South Africa	Laws such as BBBEE incite corruption	

Developed Countries		
Question 1	**Confirmatory**	**New insight**
United States of America	- Unstable political climate - Unstable economic climate	Continuous changes to tax laws
United Kingdom	- Ethical culture generally exists - Political factors and excessive bureaucracy - Strong competition	- Socio-economic factors e.g. education - Lack of customer due diligence (engaging with unethical customers) - Continuous changes to tax laws

Question 2: How effective are government laws in regulating companies operating within the country on issues related to transparency?

Table 45: Question two qualitative analysis: key country themes

Developing Countries		
Question 2	**Confirmatory**	**New insights**
Nigeria	Unclear government laws	
Brazil	Turnaround in the market currently - Open reprimand of companies involved with corruption in Brazil	
Nigeria, Angola, Brazil, South Africa and Ghana	-Existent but ineffective government laws	
Ghana, Nigeria	- New anti-corruption bodies and laws are being established	
Developed Countries		
Question 2	**Confirmatory**	**New insight**
United States of America		**Mixed views on effectiveness of laws** - For effectiveness - High fines for non-compliance, public filings and external audits, Sox. - Against effectiveness – a better system required for whistle blowers.
United Kingdom	- Very effective government and corporate governance laws exist	- Some gaps exist e.g. laws overlook some complex transactions

Question 3: Is there a high/medium/low ethical awareness in the business environment of the country? What is the impact of the selected level of ethical awareness on business practices in the environment?

Table 46: Question three qualitative analysis: key country themes

Developing Countries		
Question 3	**Confirmatory**	**New insights**
Nigeria, Ghana, Angola, South Africa	- Medium to High ethical awareness however low compliance	- Multinational companies are strong in their ethics, compared to local companies - Multinational companies are strong in their ethics despite weak environment
South Africa, Brazil		Size of company influences ethical practices - bigger companies more ethical
Brazil	Low to medium ethical awareness Heightens corruption and bribery and need for regulation	- Multinational companies are strong in their ethics, compared to local companies - Heightens social issues such as inequality and harassment
Angola, Nigeria, Ghana, Brazil, South Africa	- Companies enforcing ethics struggle with succeeding in the environment e.g. time-consuming bureaucracy, lost sales	
Ghana	- Results in high costs of business - Results in unfair competition - Pressure on employees to deliver	- Ethical awareness is dependent on level of management
South Africa		- Private and public sector levels differ - Impacted by the level of the employee in the organisation
Developed Countries		
Question 3	**Confirmatory**	**New insight**
United States of America	- Medium to High ethical awareness in the business environment - Business/ corporate ethics are extremely high	- Awareness influences employees to behave more ethically
United Kingdom	- Medium to high ethical awareness in the business environment - Ethical awareness comes with some drawbacks e.g. slows down decision-making	- Increases collaboration and efficiency in the organisation - Size of the company determines ethical awareness - Awareness depends on the level one is in the organisation (more strategic roles have higher awareness)

5.12 Conclusion to the results

The following insights arose from the analysis in Chapter Five. These are discussed further in Chapter Six with pertinent aspects of the literature review from Chapter Two.

5.12.1 Conclusion to quantitative analysis

Research question one

The correlation analysis found no statistically significant association between the corporate governance levels overall and the transparency index was noted. The same was noted with Reporting transparently and the Effectiveness of internal controls policies. This seems to confirm the insignificant differences noted across countries, regions and markets, with these constructs.

Research question two

The regression tests revealed that corporate governance cannot be used as a predictor of sales growth in countries with weak state transparency. Furthermore no significant relationships were yielded between corporate governance and sales growth in countries with weak state transparency. However, for all countries (developed and developing), a significant positive relationship between effectiveness of oversight bodies and sales growth existed. Lastly, a significant positive relationship was noted between the sales growth and the transparency index in countries with weak state transparency.

Research question Three

Despite the strong level of corporate governance across countries, the test of differences for the overall corporate governance index of the multinational company, by country and region, reflected significant difference. Significant differences were also noted between Leadership accountability, Effectiveness of oversight bodies and Ethical tone. Differences were in favour of the US and UK.

The construct for reporting transparently had no significant differences across countries, markets and regions of operation. However, significant differences were noted in employee levels' perceptions of this across overall. Significant differences were noted between leadership or senior management, and middle or lower staff levels, with ethical tone and effectiveness of oversight bodies constructs.

5.12.2 Conclusion to qualitative analysis

The coding results revealed that the themes of public sector corruption and ineffective regulation systems were common across all developing countries. Additionally, unfair competition, poverty and lack of basic services, were cited as drivers of corruption in these countries. In comparison, strong regulatory systems were noted to be a driver of ethical behaviour in developing countries. In relation to implications of the environment on multinational companies, a key theme was that they have strong ethical practices, even in weak operating environments, which resonated with the statistical results.

6 DISCUSSION OF RESULTS

6.1 Introduction

Chapter Five presented the statistical results derived from the hypothesis testing. Chapter Six contextualises and discusses the results with key aspects of the literature review from Chapter Two. The institutional dimensions of the Theoretical Research Framework (Figure 2) in section 2.5, and their impact on subsidiaries of multinational companies are pivotal to the discussion. Assimilation of the key qualitative themes into the discussions, ensures an enriched view of the research outcomes. Chapter Six follows Chapter Five's structure: descriptive results and research questions are discussed and concluded on chronologically.

6.2 Discussion of descriptive results

6.2.1 Multinational companies and corporate governance

Descriptive statistics for the multinational company under study, overall and per construct revealed a strong to very strong level of corporate governance practices. Results overall and for pertinent governance aspects are discussed below.

- **Corporate governance, multinational companies and home country dynamics**

The strength of Effectiveness of oversight bodies in the multinational company, echoes the direction of corporate governance progression in the past decade. This entails tighter ethical practices and audit oversight, triggered by well-publicised cases, such as Enron (Ntim et al., 2013). A supporting statement from a USA respondent was, *"The days of Enron and WorldCom are still fresh in many people's mind, and ethics is pushed both by top companies, and professional organizations"*. This aligns to the literature review, which highlights a study by Kolk, (2008) on USA global companies, which concluded that multinational companies have enhanced governance awareness and ethical structures.

Ion (2015) and Geleilate et al. (2016), further asserted that these ethical structures are applied to worldwide operations. It talks to two prominent themes from the qualitative analysis on developing countries:

- Multinational companies are strong in their ethics, compared to local companies
- Multinational companies are strong in their ethics despite weak environment

One respondent from Nigeria asserted that, "*The multinationals try most to ensure the culture is imbibed in their daily operations. Other locals lag behind"*. Another respondent

from Brazil affirmed that, *"Global companies are mostly applying global rules, which helps"*. Lastly a respondent from Ghana stated: *"Most multinational companies rely on group ethical codes to operate"*.

This is supported by the literature on institutional theory, specifically, that home country institutional structures, influence governance structures applied by multinational companies globally (Spencer & Gomez, 2011). The multinational company originates from the USA. Respondents from the USA purported that the institutional environment is has a strong ethical culture, with consequences for ethical deviances. One respondent also professed that, *"The government enforces an ethical culture, yet the country as a whole is always striving for more"*.

Further responses, supported the belief that, the ethical culture crosses over into the corporate sphere, with its eminent investments in significant resources for ethics and compliance. This corroborates the strong ethical inclination and corporate governance indices noted for the multinational company under study, which infers to developed multinational companies. Arguments by Ion (2015) and Spencer and Gomez (2011) in the literature review, also highlighted that multinational companies apply their home country structures and policies to their subsidiary operations.

This leads to the belief that the performance of emerging market multinational companies, is hampered by institutional constraints from their home countries, such as poor governance systems (Wang, Luo, Sun & Maksimov, 2014; Geleilate, Magnusson, Parente, & Alvarado-Vargas, 2016). Thus ethical malpractices in emerging market multinational companies, outlined in the literature review namely, Toshiba (Japan), MTN (South Africa), and Odebrecht (Brazil), present a platform for this debate.

- **Multinational companies and Leadership accountability**

Leadership accountability (refer section 5.6.3), which comprised of questions centered on the existence and effectiveness of risk and stakeholder management, was moderate to strong, thus rated lower than all other governance aspects observed. Reverting to the literature, risk management and stakeholder management, have been focus areas of corporate governance reform (Ntim et al., 2013). Reckless trading by those entrusted with the affairs of the company, which impacted stakeholders, was the underlying cause of large corporate governance failures (Norwani et al., 2011).

The descriptive statistics, propose that the level of the transparency in the environment, is related to leadership accountability. Supporting this notion, is the fact that responsibility for risk and stakeholder management is ordinarily decentralised to regional leadership.

Other areas of corporate governance noted to have strong to very strong corporate governance indices, are those that whose tone would typically be set by the head office. Specifically, Effectiveness of oversight bodies, Internal controls and policies, Ethical tone, and Reporting transparently. Results of the correlation tests between leadership accountability and the transparency index in section 6.3.3, further explore this notion.

6.2.2 Corporate governance analysis –developing versus developed countries

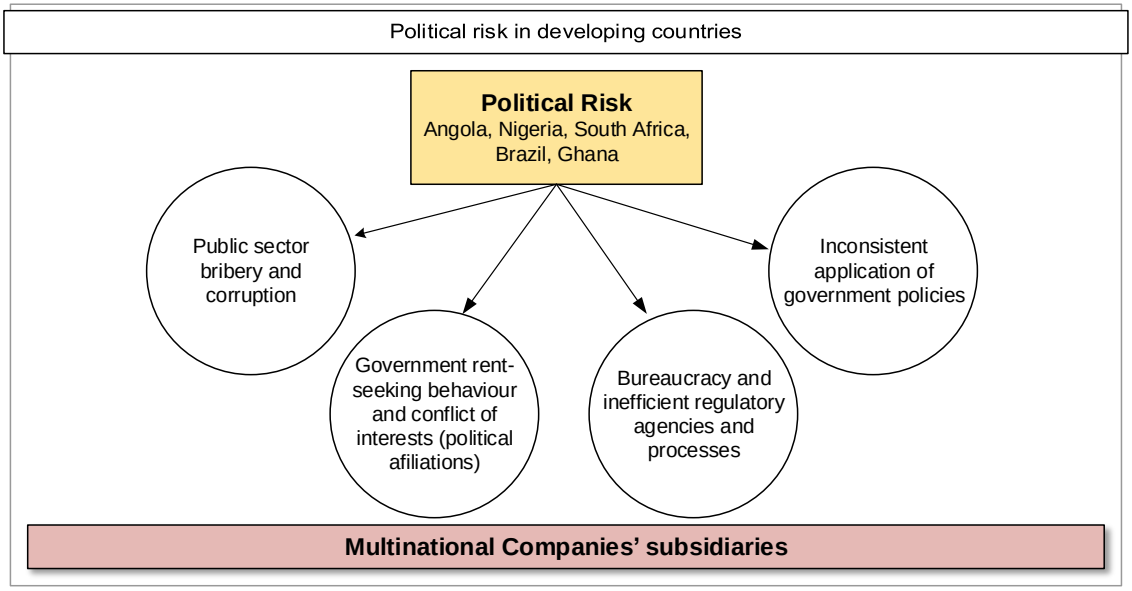
Table 2 in section 2.5.2, presented the categorisation of countries under study. Overall, corporate governance indices for developed and developing countries, were measured as strong to very strong (section 5.6.4). This is supported by the literature on the global management and governance systems applied by multinational companies, to their operations in developed and developing countries (Ion, 2015). Conversely, the corporate governance index was marginally lower for developing countries. A similar pattern was noted with the governance indices per construct (Appendix 9.7), with consistently lower scores for developing countries, as compared to developed countries.

As defined in the literature review, developing countries consist of frontier markets and emerging markets, which embody high levels of risk and are less advanced than developed countries (Financial Times, n.d.). The risk inherent in these environments seemingly confirms the lower corporate governance indices noted for subsidiaries operating therein. The latter portrays institutional theory at play. The theory provides a lens through which institutional influences of developed countries on business, can be analysed against those of developing countries (Rottig, 2016).

In light of this, developing countries are categorised by weak institutions and governance (Rottig, 2016). Themes from the qualitative analysis (section 5.11), suggest that political risk plagues these markets. Political influences were linked by respondents to government integrity, and weaknesses in the broader regulatory environment. A parallel and common theme noted was: Existent but ineffective government laws.

The literature review confirmed that governments in developing markets are wholly involved in country governance, thus, multinationals' subsidiaries are prone to greater state influence (Rottig, 2016). The author of this research identified consistent commentary from respondents based in Brazil, South Africa, Nigeria, Ghana and Angola, on government self-interest and corruption, affecting the business environment. The figure below presents an overview of political risks identified in developing countries, from the qualitative analysis.

Figure 19 : Political risk in developing countries



Source: Own compilation

The lowest governance index by construct attained, was for Leadership accountability in developing countries. As mentioned, the construct considers risk management, which connects with this discussion on political risk, and its impact on corporate governance of multinationals' subsidiaries. The view presented in section 6.2.1 on the variability of Leadership accountability, in relation to the environment is thus confirmed.

6.2.3 Corporate governance analysis by region

Descriptive statistics by region (section 5.6.5), suggest that the strongest corporate governance practices are in the home country, followed by developed markets and then developing markets in which multinational companies operate in. This is seen in the progressive decline in the strength of the overall governance index from the USA, to the UK, to Africa and then to Latin America. It links to the arguments on the influence of home country and host country institutions on the practices of multinationals.

Unexpectedly, Europe had higher indices than North America for Ethical tone and Internal controls and policies (Appendix 9.7). As the UK and the USA are used as representative economies for this regions, this reflects on the two directly. The literature revealed a fundamental difference between the US and UK corporate governance models, that draws attracts investors to the UK rather than the US (Meier & Meier, 2014). It is believed that the UK governance model is less costly but more effective, in that it allows an internal determination of the adequacy of corporate governance, by those with interest in the organisation (shareholders) (UK Financial Reporting Council, 2016). This could be a possible driver of better governance in the UK on these aspects.

Leadership accountability, was lowest in Africa, followed by Latin America. The researcher related this, to respondents' statements on the impact and risk posed by political interests therein. One respondent from South Africa stated, *"Uncertainty in the region due to political wars, and high level of bribery to operate in that particular country".* The literature review also purported that, regions such as Africa, struggle with inefficient regulatory and institutional support for good governance, which challenges strategies and operations of multinational companies (Rossouw, 2005; Luiz & Stewart, 2014).

Lastly, Reporting transparently was lowest in Latin America (Appendix 9.7) with a moderate to strong level. As Brazil is the representative country for Latin America, this might be linked to the immaturity of the effectiveness of corporate governance therein. A respondent from Brazil revealed*, "Although government laws on transparency are clear and aligned to global best practices, enforcement in Brazil is not strong"*. Alternatively, the lower scores might be a result of the centralisation of reporting at the head office, thus respondents in Brazil were less knowledgeable on it.

6.2.4 Corporate governance analysis by country

The corporate governance index for each country was assessed as strong to very strong (Section 5.6.6). However, developing countries namely, Brazil, South Africa, Ghana, Angola and Nigeria, had marginally lower indices than the UK and USA. USA had the strongest index, while South Africa had the weakest index. The literature presented a question on possible convergence of corporate governance globally, to an international best practice (Owusu & Weir, 2016). However the immaturity of governance systems in Africa and Latin America, appear a barrier to this (Rottig, 2016).

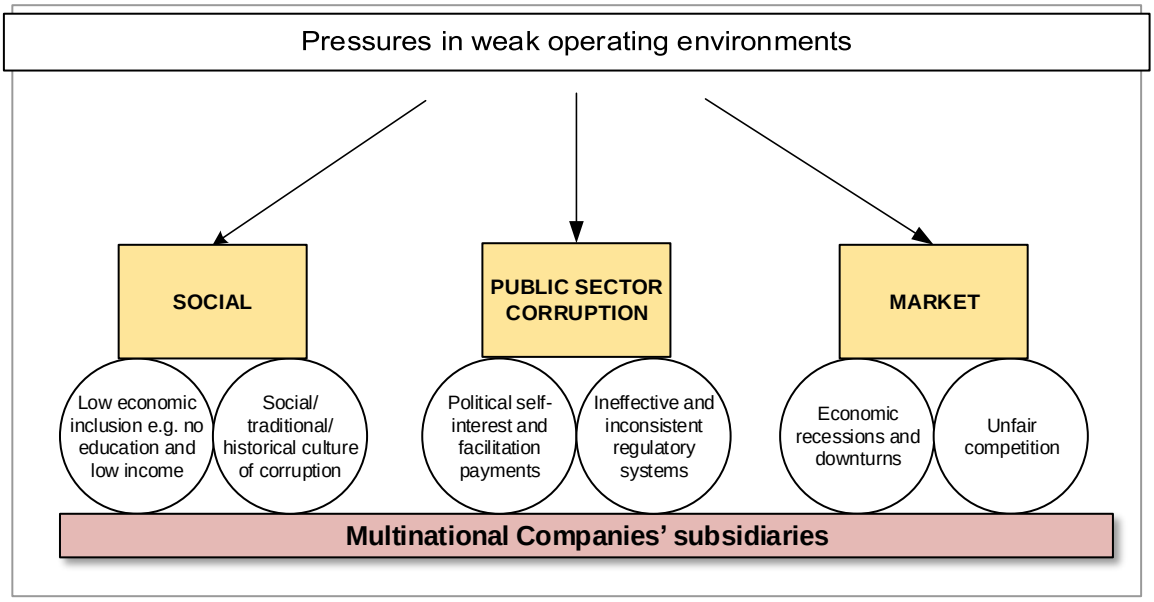
- **Multinational companies and host country dynamics**

As seen in the literature, institutional theory on host countries presents that, the quality of institutions therein, impacts the strategy, corporate governance practices and performance of multinational companies' subsidiaries (Pattnaik et al., 2015; Osemeke & Adegbite, 2016). This includes social norms, regulations and political factors (Osemeke and Adegbite, 2016), that introduce unethical pressures to multinationals operating in the environment (Spencer and Gomez, 2011; Rottig, 2016).

Three areas from which multinational companies face pressures in environments with weak state transparency were introduced in the literature, namely coercive pressures from authorities, normative pressures from societal norms and mimetic pressures from companies in the same field (Spencer & Gomez, 2011). However the researcher deemed

it appropriate to provide an independent view, of critical pressures identified as existent in these environments, from the qualitative analysis in Figure 20.

Figure 20 : Pressures faced in weak operating environments



Source: Own compilation

- **A closer look at country governance systems**

Developed countries: USA and UK

The literature review was consistent with the higher governance indices attained overall and by construct, by the multinational company in the USA and the UK (Appendix 9.7), with more mature and well-established corporate governance systems. Both countries apply a shareholder governance model (Section 2.5.2: Table 3), with widely diffused structures, and a focus on investor protection, thus stronger markets (Bhasa, 2004).

Qualitative themes emerging from both countries were on medium to high ethical awareness, and effective regulations promoting transparency. A frequent reference by USA respondents was the effectiveness of the Sarbanes Oxley Act (SOx). A supporting USA respondent noted, *"Corporate scandals a couple decades ago led to the Sarbanes-Oxley legislation, which has resulted in improved internal control requirements and financial reporting"*. This was consistent with the literature presented, on the noticeable improvement in USA governance from the introduction in SOx (Schroeder & Shepardson, 2016). However, respondents still cited ethical loopholes, which might be linked to the shareholder approach rather than stakeholder approach, with one respondent from the USA stating, *"…However, I believe there still needs to be a better system for whistle blowers…"*.

Developing countries: Brazil, Ghana, Angola, Nigeria, South Africa

A consistent theme in developing countries was unethical business relationships, and a culture of bribery and corruption in the country generally. A respondent from Brazil mentioned that *"Culturally Brazil is a country where bribes are part of the public negotiations"*. A Ghanaian respondent stated that Ghana has a *"General attitude of what is in for me"*. A respondent from Nigeria referred to it as a *"Wide-spread Corruption mentality"* in Nigeria. Furthermore, the researcher observed that respondents' references to bribery and corruption, were associated with government, alluding to political risk. This confirms the literature review on state capitalism, a driver of corruption, political and self-interest, at the expense of advancing the economy and society's living standards (Bremmer, 2014). With this, respondents noted that society engage in unethical practices due to poverty, low income and basic services.

Interestingly South African respondents cited the Broad-Based Economic Empowerment (BBBEE) regulation as a driver of corruption. This connects to Ntim's (2013) study presented in the literature, on the positive correlation noted between South African enterprises adhering to affirmative action and financial performance, due to reduced political costs and simplified access to resources (Ntim, 2013). The researcher views this as potentially unethical means through which multinational companies gain acceptance in an environment. It possibly motivates why South Africa's governance index on Leadership accountability was the lowest out of all countries.

These insights are consistent with literature presented, on politically-inclined country governance systems in Africa and Latin America. The country governance systems in these regions are most leaning towards the stakeholder governance model, and emerging themes from the qualitative analysis, propose that governance is moving forward. Respondents in Brazil showed optimism about the open reprimand of ethical malpractices, by the judicial system, while those in Nigeria and Ghana showed optimism on the introduction of anti-corruption bodies.

6.2.5 New insight: Corporate governance analysis by employee level

The descriptive results by employee level, led the researcher to an initial thought, of existent biases in perceptions of corporate governance across employee groups (Appendix 9.7). Specifically, the corporate governance index by employee group, progressively declines as the level of management decreases. Explicitly, the Effectiveness of oversight bodies, Ethical tone and Leadership accountability, reflect lower scores by lower levels of employees Thus, the leadership team's view of their management of governance could be biased.

However aspects such as Reporting transparently, which show similar patterns, lead to an alternative thought, that lower levels of employees may not be as knowledgeable on corporate governance as senior and leadership management. Especially, as reporting is managed centrally at the head office. It resonates with a theme in developing countries: Ethical awareness is dependent on level of management. One respondent from the United Kingdom specifically asserted, *"Employees who makes decisions related to strategy and manage operations would tend to consider the effects and have high awareness. Employees that have minimal input to strategy and just receive the ethics related emails and standard training do not have an embedded awareness and there it is low"*.

The descriptive results also show that the lower staff levels answered higher than middle management on Internal controls and policies. Generally, lower employee levels, are responsible for the execution of internal controls and policies. Thus this could also be indicative of biases in lower staff levels, in responding to questions impacting their daily duties. Significant differences between employees are explored in section 6.6.

6.2.6 New insight: Corporate governance and company size

An interesting theme between corporate governance and company size emerged from the qualitative analysis across regions (section 5.11): The size of a company influences ethical practices - bigger companies are more ethical. Resultantly, in addition to institutional influences on the strength of corporate governance of multinational companies, size might be an additional contributor. This potentially results from the financial strength that comes with being larger, allowing more investment into governance. One respondent from the USA stated, *"There is a high level of ethical awareness which results in significant resources spent on ethics and compliance activities".* The relationship between the size of a company, and corporate governance levels, was not explored further in this research.

6.2.7 Conclusion to discussion on descriptive results

The descriptive statistics confirmed the literature on institutional theory, which argued that multinational companies apply their home country structures to global operations despite the environment. Conversely, the analysis of developing host countries, showed potential unethical pressures on activities and governance of multinational companies. The latter was supported by literature around the political determination of country governance therein, which has economic and societal impacts (Bhasa, 2004).

The researcher is thus inclined to suggest, that corporate governance convergence internationally is a distant possibility, due to unique and imprinted institutional and

societal characteristics globally. Using Ho's (2005) models presented in the literature, global corporate governance might be moving towards a Hybrid Model. This is combination of the path-dependence model (governance practices are influenced by country history including political influences) and convergence model (governance is harmonising to international best practice) (Ho, 2005). Significance of differences between governance levels across countries and regions is discussed in section 6.5.

The descriptive statistics by employee, suggest that senior and leadership level management might be biased in their assessment of corporate governance as they are directly responsible for its oversight. Another argument comes in which suggests that knowledge of corporate governance increases as one becomes more senior in the organisation. Lastly, an insight obtained from the discussion of the open-ended questions, includes a notion that the larger a company is, the more ethical structures they have. It is potentially a contributing factor to the level of corporate in developed for multinationals companies, rather than just home country influences.

6.3 Discussion of research question one

The first research question sought to explore whether multinational companies conform to strong levels of corporate governance in countries deemed to have weak state transparency. The results obtained are contextualised in the ensuing sections.

6.3.1 Corporate governance and transparency - Hypothesis 1a

The relationship between the overall level of corporate governance and the transparency index in countries with weak state transparency, was statistically insignificant with a weak negative relationship (R_s=-0.153). This means that in operating environments with weak state transparency, a decrease in transparency would be associated with an increase in corporate governance. This does not imply causality.

However, the insignificance of this relationship comes out from discussions in section 6.2; the subsidiary scored lowest on leadership accountability in South Africa, which has a higher transparency index than other developing countries (45). Furthermore, despite such lower scores, overall corporate governance indices, for all countries, were strong to very strong, further supporting the insignificant correlation. It again connects with the literature arguments on the application of global management systems across subsidiaries (Ion, 2015; Spencer & Gomez, 2011), alluding that transparency is insufficient to negate the levels applied in weak operating environments.

6.3.2 Effectiveness of oversight bodies and transparency - Hypothesis 1b

The correlation between these two variables within the context of weak operating environments, was statistically insignificant, with a very weak positive association (R_s=0.040) within multinationals' subsidiaries operating therein. The statistical insignificance is confirmed by the descriptive statistics by country (Appendix 9.7), where governance indices for the Effectiveness of oversight bodies in developing countries, do not necessarily correlate with the transparency index.

The very weak positive association, is consistent with the proposal by the author this research in section 6.2, that Effectiveness of oversight bodies is set at the head office. However, it does suggest a slight offsetting effect by the institutional environments of developing countries. This is supported by the literature on institutional voids affecting multinational operations in such regions (Rottig, 2016; Pattnaik et al., 2015). A respondent from Nigeria argued that the low to medium ethical awareness *"makes it a bit difficult or challenging for a company that insists on business ethics"*.

6.3.3 Leadership accountability and transparency - Hypothesis 1c

A statistically significant correlation existed between leadership accountability and the transparency index for subsidiaries in operating environments with weak state transparency. A weak negative association was noted (R_s=-0.201), between an increase (decrease) in transparency, and a decrease (increase) in leadership accountability. Again, the result connects with South Africa's lower score for this construct, despite having the highest transparency index amongst the developing countries. The trend was noted progressively with Ghana and Brazil. The result is consistent with the speculation in 6.2.1 that leadership accountability is determined by the operating environment. Moreover, the researcher suggests in 6.2.4, that South Africa, might have higher political risk impairing the strength of leadership accountability.

The association proposes that country governance systems in developing regions, are not necessarily effective. South Africa's strong corporate governance system, was described in the literature, as the bellwether for the Africa (Vaughn & Ryan, 2006). However, a common qualitative theme from the two regions was: Existent but ineffective government laws. Also, given the inclusion of stakeholder considerations in the construct, it suggests that the strength of stakeholder governance models, in countries like South Africa, are affected by political influences. This aligns with literature on the stakeholder approach for companies being an alternative to government regulations (Buchholz & Rosenthal, 2004). The researcher views this as especially applicable, in weak operating environments

6.3.4 Internal controls and policies and transparency - Hypothesis 1d

A statistically significant, but weak negative association (R_s=-0.171), was also noted between the transparency index and internal controls and policies, within the context of weak operating environments. The negative association is again echoed, where countries like South Africa, Ghana and Brazil with higher transparency indices, have lower scores for this construct (Appendix 9.7), than Nigeria with its weaker transparency index. From this, it can be argued that Internal controls and policies and Leadership accountability are interconnected. This is reasonable as Leadership accountability also includes responsibility for enforcing internal controls and compliance (IODSA, 2009). Thus that both aspects are seen to have statistically significant negative association with transparency, although leadership accountability is slightly stronger.

The association is supported by qualitative themes around low enforcement of ethical practices and controls in environments with weak state transparency. A respondent from Ghana stated that the low to non-existent ethical awareness causes *"…undue pressure to deliver results…"* for employees. Another respondent noted that it *"...pushes pressure on the business to engage in unethical methods to win business".*

6.3.5 Ethical tone and transparency - Hypothesis 1e

The correlation between Ethical tone and the transparency index, yielded a statistically insignificant and weak negative association (R_s =-0.143), within weak operating environments. This insignificance is consistent with the researcher's presumption in section 6.2.1, that Ethical tone is presumed from the head office by subsidiaries operating in such environments. The important theme around multinational companies have strong ethical structures, even in weak operating environments supports this. A respondent from Nigeria stated, *"…only multinational companies have got a high level of business ethical conduct*'. However the higher index attained by the UK, compared to the USA (section 6.2.3), suggests that Ethical tone increases with better host country governance.

6.3.6 Reporting transparently and transparency - Hypothesis 1f

A statistically insignificant and weak negative association (R_s=-0.155) exists, between Reporting transparently and the transparency index, for subsidiaries in weak operating environments. Again, this corresponds with section 6.2.1, where this variable is presumed to be largely influenced by the strong home country governance structures, as the reporting for multinational companies is usually controlled by the head office.

6.3.7 Conclusion to discussion on research question one

The results for the research question, confirm that multinational companies confirm to strong levels of corporate governance in environments with weak state transparency. This proposes that low transparency is not enough to outweigh the strength of corporate governance practices, including Effectiveness of oversight bodies, Ethical tone and Reporting transparently for multinational companies operating in such environments. The relationship between corporate governance and the transparency index, was not explored statistically in the context of developed countries.

The results also lead to a speculation, that Leadership accountability and Internal controls and policies, are interrelated and decentralised for multinational companies, operating in developing countries. This connects with the results in the correlation test performed between constructs in section 5.8, where these two variables were found to be significantly and positively correlated (r_s=0.670). This also bought in an interesting view, of the interplay between internal (organisation or micro) stakeholder governance against external (country or macro) governance.

6.4 Discussion of research question two

The second research question aimed to determine whether a relationship exists between the stronger corporate governance practices and financial performance, for subsidiaries of multinational companies operating in environments with weak state transparency.

6.4.1 Corporate governance and sales growth - Hypothesis 2a, 2b and 2c

The literature review presented studies which explored the relationship between corporate governance and financial performance in emerging markets (Section 2.3.2, Table 1). These illustrated that strong corporate governance practices in such markets, fuel investor confidence and thus financial performance (Kumar & Zattoni, 2014; Ntim, 2013). Owusu and Weir (2016), found similar results on companies in Ghana, controlling for endogeneity. The latter implies that internal firm characteristics, might impact the relationship between the two variables (Brown et al., 2011; Owusu & Weir, 2016).

- **Corporate governance and sales growth - Hypothesis 2a and 2b**

A correlation test was performed between corporate governance and sales growth, specifically in weak operating environments (section 5.9). No statistically significant relationships holistically and on a construct level were noted. This brings forth the view of endogenous factors or internal firm characteristics, which might affect the relationship. Very weak negative associations were noted, between Internal controls and policies and

Leadership accountability, against sales growth. This brings in a perception of trade-off between leadership ethics and internal controls and policies for sales and sales growth. Eisenbeiss et al., (2015), argued, that ethics in business and firm performance have historically been seen as mutually exclusive occurrences.

The trade-off between ethics and sales was a prominent theme from the qualitative analysis, within developing countries where it was noted that companies enforcing ethics struggle in the environment as time-consuming processes usually result in lost sales. This indicates an external force impacting financial performance. It resonates with the literature on the impact of the environment on ethical practices.

For comparison, a correlation was also performed between the variables, for the overall data set (developed and developing countries). A statistically significant positive but weak relationship (R_s=0.153) was noted with the Effectiveness of oversight bodies and sales growth. This is consistent with the literature review argument that more important than the existence of ethical structures, is the quality thereof, which leads to better financial performance (Ueng, 2016). This could explain the insignificant relationship noted between corporate governance and sales growth in weak operating environments.

- **Tests for causal relationship (prediction) – Hypothesis 2c**

The regression tests in section 5.9 led to the conclusion that strong corporate governance is not a reliable predictor of financial performance, for subsidiaries operating in environments with weak state transparency. This suggests endogenous factors affecting the relationship between the two variables, for subsidiaries therein. The literature presents arguments consistent with this, which contend that studies on the relationship, rarely focus on potential internal impacts, but rather focus on external factors in the environment, such as stakeholder confidence (Chun et al., 2013).

6.4.2 Transparency index and sales growth - Hypothesis 2d

A statistically significant positive association between sales growth and transparency, for subsidiaries in weak operating environments was noted (Rs=0.270). An increase in transparency index of a country is loosely associated with the increase in sales growth, without implying causality. This links to the opinion of unfair competition that emerged as a theme, from the qualitative analysis on in developing countries. The latter links to the literature touched upon in 6.2.4, around the high capitalism existent in such environments (Chun et al., 2013). This distorts the effective functioning of markets, resulting in unfair competition for multinational companies therein (Bremmer, 2014). As noted in the discussion in 6.2.4 this is usually driven by political interest. The theme raised in the

qualitative analysis in Nigeria, Ghana and Brazil was: Market factors -uncontrolled informal market and competition.

In addition to unfair competition, multinational companies within such operating environments, compete with local companies, who have greater political ties and thus easier access to business (Bremmer, 2014). Such environments are made up of social networks and informal institutions which destroy the effective functioning of markets (Rottig, 2016; Pattnaik et al., 2015). This is a possible link to the positive association between transparency index and sales growth.

6.4.3 Conclusion to research question two

Research Question Two, brings in more than ever the impact of the interplay between internal governance and external governance, on financial performance in operating environments with weak state transparency. The results show that in operating environments with weak state transparency, external country governance is significantly associated with operating performance, while internal governance of subsidiaries is not.

In this regard, the correlation between corporate governance (internal) and sales growth, suggests that the quality, and not merely the existence of internal governance is essential for financial performance to be attained within those environments. Leadership accountability and Internal controls and policies again come up, with an apparent but insignificant trade-off between sales growth and the level of these practices exists.

Conversely, the correlation between sales growth and the transparency index (external governance), suggests that multinational companies need to adapt internal governance, to the nuances of the operating environment which is confirmed by the literature review (Rottig, 2016). This links to the developing country governance systems discussed in section 6.2.4, which are largely relationship-based. This proposes that multinational companies require ethical means of gaining social acceptance in such environments. Lack of social acceptance, might be the influence behind the insignificant association noted between corporate governance and financial performance in the weak operating environments.

Thus, the application of one global management system by multinational companies, channels efforts away from real complexities in the operating environment, which impact performance. Adaptability is explored in the discussion of Research Question Three.

6.5 Discussion of research question three

The third research question, sought to discover whether differences in corporate governance practices between developed and developing countries and regions are required by multinational companies. Tests were performed to discern whether differences noted in section 6.2 are significant enough, to warrant adaptive practices, or whether the current standard practices which are deemed strong are sufficient.

6.5.1 Differences between developing and developed countries – Hypothesis 3a

Significant differences existed between developing and developed countries for Overall corporate governance, Effectiveness of oversight bodies, Ethical tone, Internal Controls and polices and Leadership accountability. This aligns to the literature and discussion in section 6.2.2, on significant pressures faced by multinational companies in developing markets. Developing countries are perceived to have higher risk (Financial Times, n.d.), with weak institutions (Rottig, 2016). Reporting transparently did not yield a significant difference. This resonates with the researcher's opinion in the previous sections, on the centralisation (head office) of this function in multinational companies.

6.5.2 Differences between regions – Hypothesis 3b

Overall, corporate governance levels were significantly different between Africa and Europe, and Latin America and Europe. This also existed between North America and Africa, and North America and Latin America. Europe and North America had the higher scores. The Effectiveness of oversight followed the same results pattern. No significant differences were noted between Africa and Latin America, or UK and USA, further ratifying institutional theory.

Leadership accountability was significantly different between Africa and Europe, and Africa and North America. The researcher linked this construct to the political risks within Africa. Luiz and Stewart (2014) asserted that African countries come with weak political and judicial systems. The results strengthen the link between leadership accountability and weak operating environments, for multinational companies' subsidiaries. For Ethical tone, the only significant difference was between Africa and Europe. Europe has a preferable corporate governance system to the US, with less costly but more effective stipulations (Meier & Meier, 2014), which filter to a higher ethical tone.

6.5.3 Differences between countries – Hypothesis 3c

The statistically significant differences for overall corporate governance between the USA and South Africa and the UK and South Africa, rehash the home country and host

country dynamic. The USA and UK had higher scores. Similar significant differences, were noted for Leadership accountability. It reflects the argument on the South African subsidiary's low Leadership accountability in section 6.2.3, which the researcher attributing this to the political risk therein.

Effectiveness of oversight bodies, yielded significant differences between USA and developing countries, namely Brazil, South Africa, and Ghana. Furthermore, a significant difference existed between UK and Brazil. This reverberates the common qualitative theme of 'Existent but ineffective oversight bodies', within developing countries. In contrast USA and UK have efficient systems, as discussed in 6.2.4. For Ethical tone, a significant difference between the UK and South Africa was noted, which is reflective of the difference noted in section 6.5.2, between Africa and Europe.

6.5.4 Differences between employee levels – Hypothesis 3d

Significant differences noted through ANOVA between employee levels, mirrored the argument in section 6.2.4, and the qualitative theme around employee level and corporate governance knowledge. It confirmed the researcher's initial thoughts of the existence of biases between employee groups. Effectiveness of oversight bodies and Ethical tone yielded significant differences in perception, between leadership or senior management, and middle management or lower staff levels. However, Leadership accountability, Overall corporate governance index, and Internal controls and policies did not yield significant differences. The perception of Reporting transparently between employee groups, also resulted in significant differences, between senior management and lower staff levels. In all cases, leadership and senior management had higher perceptions. The conclusions in section 6.2.6 on leadership biases, are therefore validated.

6.5.5 Conclusion to discussion of research question three

The results for Research Question Three, rehash the argument that while corporate governance levels are measured as strong to very strong for multinational companies operating across regions, host country influences lower the impact. Significant differences are consistently higher for developed countries and regions, as compared to developing countries and regions. The results also shed light upon the construct of Leadership accountability and its vulnerability to weak operating environments.

Thus, based on these results and the discussions in Research Question Two, the researcher contends that multinational companies should apply adaptive practices in countries with weak operating environments. Given that they are prone to greater state

influence, it implies that they need practices to gain social acceptance, ethically. It speaks to a concept of legitimisation. The literature review is in line with this, where three adaptive strategies by Rottig (2016), were proposed for multinational companies operating in weak environment, namely:

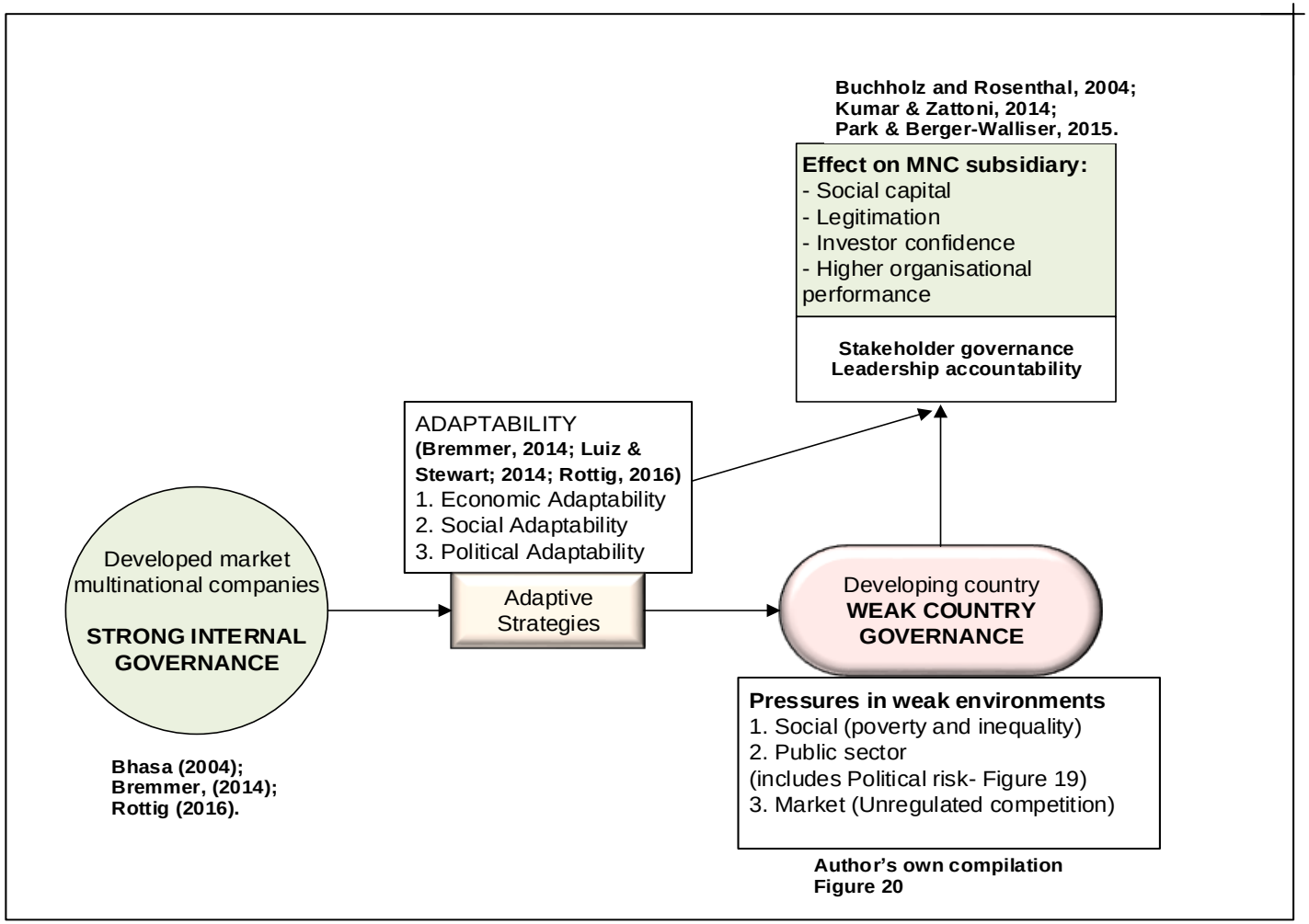
- Political adaptability – adapting to the level of government influence through forming relationships, to gain acceptance or legitimacy in the environment.
- Economic adaptability – adapting to the uncertainties in the business environment due to informal institutions, and inefficient capital markets, through building up social capital.
- Social adaptability – adapting to the social needs in the environment through corporate social responsibility and partnering with local social institutions such as labour unions.

These guide the responses required to pressures and risks identified by the researcher in section 6.2, from the qualitative analysis. A pertinent link, is that the aspects of adaptability are embodied in the Stakeholder governance model. The argument presented in the literature, by Buchholz and Rosenthal, (2004) may be confirmed: stakeholder theory can be viewed as an alternative to government regulations, and that the main aim for managers is to balance their obligations to stakeholders and shareholders. A common thread of the link between the stakeholder approach to governance and financial performance is present in the literature in Chapter Two.

6.6 Conceptual framework for research results

The framework in Figure 21, brings together the conclusions drawn from the discussion of descriptive results, and the research questions in the preceding sections. A summary of the principal findings of the research is provided in Chapter Seven.

Figure 21 : Conceptual framework for the research outcome



Source: Author's own compilation

7 CONCLUSION

7.1 Summary of research objectives

The purpose in undertaking the study, was to understand whether multinational companies confirm to strong levels of corporate governance in operating environments with weak state transparency, and the consequent impact on financial performance. Given that many authors found a relationship between corporate governance and financial performance (Ho, 2005; Owusu & Weir, 2016), the researcher explored the impact of the operating environment on this. Thus the interplay between organisational (internal) governance, and country (external) governance was a focus.

The literature suggested that multinational companies apply standard governance systems globally, as set by the head office (Ion, 2015), and thus, practices are influenced by home country institutions. This introduced the underlying theory of the study, that is, institutional theory (Rottig, 2016). In light of this, Research Objective One aimed to assess whether multinational companies conform to strong levels of corporate governance practices, in environments with weak state transparency.

The literature also drew in the challenge posed by host country governance systems, specifically, developing countries, on practices applied by multinational companies' subsidiaries (Luiz & Stewart, 2014; Osemeke & Adegbite, 2016). On this basis, Research Objective Two aimed to determine whether a relationship exists, between stronger corporate governance practices by multinational companies and financial performance, in operating environments with weak state transparency.

Lastly, the literature review suggested that multinational companies, need to have adaptive strategies in countries with weak state transparency, for economic inclusion and performance therein (Luiz & Stewart; 2014; Rottig, 2016). In light of this and based on the outcome of Research Objective Two, Research Objective Three targeted to ascertain, whether differences in corporate governance performance levels are required, across countries and regions in which a multinational company's subsidiaries operate.

7.2 Principle findings

Based on the conclusion to each research question and the conceptual framework presented in Chapter Six, the pertinent findings of this research are outlined. Firstly, the descriptive results led to the conclusion that multinational companies apply strong levels of corporate governance practices across all countries of operation, despite variations in operating environments. This placed a spotlight on institutional theory (Rottig, 2016),

relating to the positive influence of strong home country institutions, on the corporate governance practices of multinational companies globally (Geleilate et al., 2016). The opposite impact was inferred to emerging market multinational companies (Wang et al., 2014; Geleilate et al., 2016).

However, despite the strong corporate governance practices observed overall for the multinational company under study, marginally lower levels of practices existed in operating environments with weak state transparency. This resonated with the literature on host country influences on practices of multinational companies (Luiz & Stewart, 2014; Pattnaik et al., 2015; Rottig, 2016). It introduced the discussion on key pressures, faced by multinational companies in these environments, which confirmed the literature, namely, poor judicial systems, ineffective laws and regulations, public sector bribery and corruption, and unregulated market competition (Spencer & Gomez, 2011).

Research Question One concluded that these influences are not significant enough, to influence the strong corporate governance framework applied, by subsidiaries operating in environments with weak state transparency. However specific governance aspects such as Leadership accountability and Internal controls and policies, were identified as having a significant negative association with transparency in the operating environment. On this basis, the South African subsidiary's low score for Leadership accountability, despite South Africa's higher transparency index amongst developing countries, was explained by strong political risk inherent the environment, as noted in the qualitative analysis.

This presented a noteworthy finding from the study: political risk in developing countries, poses a significant threat, to the governance practices and performance of multinational companies. The latter connected to the researcher's conclusions from the qualitative analysis performed for the study. The political effect on the integrity of the business environment and effectiveness of the regulatory systems, was identified as a key theme across developing countries. Furthermore, this confirmed the literature review by Bhasa (2004) that, the political atmosphere determines country governance, which cascades to the country's economic and social spheres.

Consequently, the researcher was led to conclude that convergence to an international best practice of governance is hampered by unique political circumstances, existent in different countries, largely influenced by the historical path of each country. Thus, it was appropriate to conclude that governance globally is moving towards a Hybrid model (influenced by country institutions and international governance standards) (Bhasa, 2004).

Research Question Two built onto the influence of strong corporate governance by multinational companies, in weak operating environments. The conclusion was that strong corporate governance practices applied by multinational companies, do not necessarily lead to, nor are they statistically associated with better financial performance in environments with weak state transparency.

Based on this, the concept of endogeneity arose, proposing that internal firm characteristics influence the relationship between corporate governance and financial performance (Brown et al., 2011; Chun et al., 2013; Owusu & Weir, 2016). This led to the conclusion that endogenous factors for focus by multinational companies, are those as identified by the study. These are namely, Leadership accountability and Internal controls and policies, which were identified as being vulnerable to unethical environments.

Another distinct finding from Research Question Two, was the significant positive relationship identified, between the transparency index and sales growth for multinational companies in weak operating environments. This outcome confirmed the need for adaptive practices by multinational companies in environments with weak state transparency (Luiz & Stewart, 2014; Rottig, 2016). The discussion shed light on relationship-based business practices in regions such as Africa, implying that markets therein, do not operate logically and freely (Rottig, 2016; Pattnaik et al., 2015). The latter further fuels the need for adaptive governance practices by multinational companies.

The results for Research Question Two therefore undoubtedly exhibited the interplay between external country governance and internal organisation governance. Internal governance alone, is not sufficient for higher financial performance. Moreover, the quality of internal governance practices emerged as being influential, especially, due to the negative, although insignificant association between Leadership accountability and Internal controls and policies, with sales growth respectively.

Building onto this, Research Question Three found significant differences in corporate governance levels for multinational companies, between developed and developing countries. Higher levels were noted in developed countries, supporting the need for adaptive governance practices, proposed in Research Question Two's conclusion.

An all-encompassing finding to the research, was that the adaptive practices presented in Chapter Six (Rottig, 2016) for multinational companies in weak operating environments, fall under the stakeholder approach to governance. This connects to the literature review which in several instances, displayed the importance and positive impact of stakeholder governance on financial performance, especially in weak operating

environments. This insight justifies why Leadership accountability was statistically determined to be vulnerable to weak operating environments: in the questionnaire, this construct included questions around stakeholder management. It confirms this, as an endogenous factor requiring careful adaptation in weak operating environments.

New insights were gained in respect to the corporate governance perceptions in multinational companies between employee groups. Significant differences reflecting a higher perception of governance by leadership and senior management, than middle management and lower staff levels were found. This connected with the qualitative theme on the association between higher levels of management, having higher corporate governance awareness and knowledge. It was also concluded by the researcher, that the differences noted, were possibly reflective of the biases that individuals in multinational organisations have, based on governance aspects they are responsible for.

Another insight from the qualitative analysis, was the influence of company size on corporate governance levels. Given that the multinational company studied is large, it bought in the question on whether home country institutions are the only influence, of strong corporate governance levels seen in subsidiaries across regions. It links well with another key take-out from the qualitative analysis, that is, the significant investment in ethics and compliance by the multinational company under study. This leads the researcher to speculate that larger companies, are able to fund such investments, which might also contribute to the strength of corporate governance practices globally.

7.3 Research implications

- **Implications for management of multinational companies**

As outlined in the introduction to the research, the rise of globalisation, together with an international appeal for stakeholder governance (Kolk, 2008; OECD, 2015), has led to a focus on subsidiary development and success (Hood & Birkinshaw, 2016). In this regard, the chief implication of this research for management of multinational companies, is that, a standard global corporate governance system is largely ineffective. Weak operating environments come with unethical cultures, driven by bureaucracy and inefficient regulatory systems. This may pose high transactional costs for multinational companies (Pattnaik et al., 2015) and inhibit their financial performance.

It is thus imperative for management to understand the dynamics of each institutional environment, in which subsidiaries operate. This most importantly, includes understanding the environment's political landscape, noted in the study, as a pivotal determinant of the tone of the institutional environment. It links to the suggestion for

management to apply “contextual intelligence” (Rottig, 2016, p9), and challenges the application of standard practices, even for countries within one region (Pattnaik et al., 2015).

From this, comes another fundamental implication of the study to management of multinational companies, that is, the necessity for adaptive governance strategies, in weak operating environments. Weak and informal markets, and relationship-based business practices therein, threaten the inclusion of multinational companies in the economy. Thus management should devise ethical means of gaining social acceptance (Rottig, 2016). The latter increases investor confidence and filters into better financial performance (Kumar & Zattoni, 2014).

Stakeholder-inclined governance, is aptly argued as an alternative approach to government regulations (Buchholz & Rosenthal, 2004). In the case of multinational companies with operations in weak environments, adaptive practices encompass stakeholder governance, implying that management should prioritise the former above government regulations therein. A common example of this is corporate social responsibility, which serves as an investment in social capital, particularly because countries with weak environments are characterised by poverty and lack of basic services (Lins et al., 2015, Rottig, 2016). Again this drives investor confidence and influences financial performance (Kumar & Zattoni, 2014; Park & Berger-Walliser, 2015). It connects with the concept of legitimation (Barnard, 2014), which is equally important for developed market multinational companies. The research introduction thus presented the argument, that multinational companies should skillfully tailor their business models to the institutional characteristics of an environment (Rottig, 2016).

This cascades to another crucial implication for the management of multinationals, that the existence of internal governance alone is insufficient in weak operating environments, specifically for financial performance. An interplay between internal and external governance exists, which is linked to adaptive practices discussed. Important for the success of this interplay in relation to higher financial performance, is the quality of corporate governance practices applied (Ueng, 2016).

Lastly a key implication for management, is the variability of Leadership accountability in operating environments with weak state transparency. This is argued by the researcher as being influenced by the political environment, and connects to the negative association found between Leadership accountability and operating performance. It follows that Leadership accountability should be a key focus for management of multinationals in weak operating environments. It brings in the importance of controlling

such endogenous factors, which potentially impact the relationship between corporate governance and financial performance (Brown et al., 2011; Owusu & Weir, 2016).

- **Implications for academics**

The introduction to the research, motivated the principal academic purpose of the study: previous studies were noted to not have explored the association between internal (micro) corporate governance holistically, and external (macro) governance of an operating environment. Most academics explored the relationship, controlling for endogeneity (Chun et al., 2013). However, internal firm characteristics might threaten the relationship (Brown et al., 2011; Owusu & Weir, 2016). Thus, academics need to be aware of isolating these dimensions, in studies relating to multinational companies and financial performance in developing countries.

Furthermore, the study suggests that focusing on single aspects of corporate governance against financial performance of multinationals in weak environments, does not fully encapsulate the impact of the operating environment on the subsidiaries' performance. This is noted in the statistically insignificant relationship between corporate governance overall and financial performance, contrary to existing literature.

Lastly, academics need to be aware that quality of corporate governance appears to be an important driver for financial performance (Ueng, 2016), particularly around stakeholder governance (Leadership accountability). This was shown in the study, by lower Leadership accountability in subsidiaries in developing countries, coupled with the insignificant relationship between corporate governance and financial performance therein.

7.4 Limitations of the study

The first limitation of the study, is its focus on one industry sector, based on the multinational company selected for study. Some sectors might interact more with public authorities thus requiring differing adaptive practices. Others might interact more within the private sector, which might be more regulated than the public sector. Respondents from South Africa (Appendix 9.8), asserted that higher ethical awareness exists in the private sector than the public sector, and that awareness depends on the industry.

A further limitation of the study, was that it focused on public sector corruption, and did not incorporate the level and impact of private sector corruption on practices of multinational companies in weak operating environments. Moreover, the research was based on subsidiaries of a multinational company in Africa and Latin America, without considering other developing regions like Asia, which might have yielded different

results. However these regions were particularly selected, as they are argued to be the focus of global economic development today (Rottig, 2016).

With regards to corporate governance practices, the research assumed equal weighting for each aspect of corporate governance which in practice, have varying levels of importance. The study does not explore whether an entity can succeed without focusing on any of the corporate governance aspects covered by the questionnaire, or whether the relationship between corporate governance and one aspect, is impacted significantly by other aspects.

Another limitation, is that the study was fully explored from the perspective of developed market multinational companies. Brief inferences from the outcome of the study, based on institutional theory (Rottig, 2016), were made to emerging market multinational companies, for which the interplay of host and home country dynamics, might differ.

Lastly, the findings revealed that leadership and senior management perceptions of corporate governance, were higher than those of lower staff levels and middle management. This either suggests biases by respondents in answering the questionnaire, or that insufficient awareness of corporate governance with lower level employees around certain aspects such as Reporting Transparently. This might have had an unknown effect on the results.

7.5 Suggestions for Future Research

Based on existing literature on institutional theory, it was inferred that emerging market multinational companies have weak governance practices, given the weak institutions in the countries from which they originate (Geleilate et al., 2016). A suggestion for future research, is to explore the impact of host countries with strong institutions, on the governance practices of emerging market multinational companies and the interplay with financial performance. Wei and Nguyen (2017), contended that developing market multinational companies should have responsive strategies, which overcome home country institutional inhibitions to their global competitiveness. An additional dimension for future research is, exploring the influence of large multinational companies with strong governance, on the transparency index of host countries with weak indices.

Secondly, the study focused on the impact of public sector corruption (transparency index) within the environment on multinational companies' governance practices. However an isolated but interesting comment from a South African respondent was that the *"Private sector generally upholds a high ethical standard"*. This bought in a theme around the differences in public and private sector ethical awareness. It questions

whether the strength of the association, between public sector and private sector corruption, and the impact on multinational companies' subsidiaries.

An interesting thread within the research findings, was the dependency of the strength of Leadership accountability, on the operating environment. Coupled with this, a theme of a culture of corruption existent in society, was noted across developing countries. In light of this, an interesting area for future research is whether Leadership accountability can be driven by the nationality of those entrusted with leadership. This speaks to the deployment of expatriates that is a frequent occurrence with multinational companies.

Lastly, a suggestion for future research is on the recurring qualitative theme, on the relationship between the size of a company and strength of corporate governance, in environments with weak state transparency. Future research could challenge institutional theory, by exploring to what extent the multinational companies' corporate governance is influenced by home country institutions, as compared to its size.

7.6 Conclusion

Rapid globalisation, has placed focus on institutional theory, and its implications on multinational companies conducting business in emerging markets. The study confirmed, that multinational companies originating from developed markets, apply strong corporate governance practices across regions of operation. However, it uncovered an interesting interplay, between internal governance of multinational companies, and country governance in emerging markets, including the effect of this on subsidiaries' financial performance.

While an insignificant relationship, was found between internal corporate governance and financial performance of subsidiaries in weak environments, a significant positive relationship was found between transparency in the environment and financial performance. This led to the extension of literature on pressures faced by multinational companies, specifically, political risk in weak operating environments, and the need for them to have adaptive governance practices therein.

Endogenous factors, most prominently, Leadership accountability, embodying risk, ethics and stakeholder management, emerged as a key influence on the association between corporate governance and financial performance in such environments. The overall research aim and its objectives presented in Chapter One, were therefore achieved: the study uncovered whether multinational companies conform to strong corporate governance practices in weak operating environments, and the consequential impact on financial performance, including implications of the outcome.

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9 APPENDICES

9.1 Questionnaire for the study

The questionnaire is adapted from the following sources:

King III principles (Institute of Directors Southern Africa, 2009)

Corporate Governance Index 2016 (Institute of Internal Auditors South Africa, 2016)

Preamble to the questionnaire (including consent)

I am currently conducting my MBA research on the impact of operating environments with weak state transparency, on corporate governance practices and financial performance of multinational companies and their subsidiaries. To that end, you have been selected to complete the survey in the link provided.

Section A of the survey asks general participant background questions. Section B questions are based on the practice recommendations of the Corporate Governance Code of South Africa (King III). Section C contains three open-ended questions relating to the general business environment of the country in which you are based. The survey should take no more than 20 minutes of your time. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential. By completing the survey, you indicate that you voluntarily participate in this research.

I would like to thank you for taking the time to complete this questionnaire. Your input is valuable and appreciated. Please answer the questions to the best of your knowledge, and within the context of your daily role in the organisation. Should you not know the answer to any one question please do not hesitate to indicate so.

If you have any concerns or questions, please contact my supervisor or me. Our details are provided below.

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I would like to thank you for taking the time to complete this questionnaire. Please answer the questions to the best of your knowledge, and within the context of your daily role in the organisation. Should you not know the answer to any one question please do not hesitate to indicate so.

SECTION A - General Questions

The questions provides background of the country in which you are based.

1. Which country are you based in?
   a. Nigeria
   b. South Africa
   c. Angola
   d. United States of America
   e. Other

2. What employee level are you in the organisation?
   a. Leadership team
   b. Senior management
   c. Middle management
   d. None of the above

SECTION B - Corporate Governance Aspects

The questions in this section aim to understand your perception of the level of corporate governance practices applied within the country you are based, for your multinational organisation. These questions are grouped in accordance with the nine corporate governance aspects of the King III Code of South Africa.

Please answer all following questions based on the scale below, in relation to the practices within the organisation in the country of operation.

1 Strongly disagree

2 Slightly disagree

3 Neither disagree/agree (Not known)

4 Somewhat agree

5 Strongly agree

1. Ethical leadership and corporate citizenship

Please select one option for each

i. A documented code of conduct exists in our company, which outlines ethical practices to be applied internally.

Strongly disagree 1 2 3 4 5 Strongly agree

ii. The Leadership team for the company places importance on ethics and sets a tone of no tolerance for fraud and corruption.

Strongly disagree 1 2 3 4 5 Strongly agree

iii. Ethics is a significant part of our organisational culture and day to day business operations.

Strongly disagree 1 2 3 4 5 Strongly agree

2. Board and Directors

Please select one option for each

i. The Leadership team for the company takes responsibility for internal controls, risk and compliance with laws and regulations.

Strongly disagree 1 2 3 4 5 Strongly agree

ii. The Leadership team for the company considers the impact of its strategy holistically, on financial performance, external environment and stakeholders.

Strongly disagree 1 2 3 4 5 Strongly agree

iii. The Leadership team for the company acts as a steering head for corporate governance on issues such as transparency and managing conflicts of interests.

Strongly disagree 1 2 3 4 5 Strongly agree

3. Audit committee

Please select one option for each

i. An audit committee for worldwide operations exists, which is independent from the finance function.

Strongly disagree 1 2 3 4 5 Strongly agree

ii. The audit committee's responsibilities include internal controls, fraud risk and IT risks specifically relating to financial reporting.

Strongly disagree 1 2 3 4 5 Strongly agree

iii. The audit committee has oversight over the internal and external audit functions and the quality of their review and assurance processes.

Strongly disagree 1 2 3 4 5 Strongly agree

4. The Governance of risk

Please select one option for each

i. An established risk management function for the region exists, which is responsible for monitoring and setting risk tolerance levels.

Strongly disagree 1 2 3 4 5 Strongly agree

ii. Region specific risks are communicated to all to ensure alignment in risk appetite and response at all levels.

Strongly disagree 1 2 3 4 5 Strongly agree

iii. A framework or process to address unpredicted risks does not exist.

Strongly disagree 1 2 3 4 5 Strongly agree

5. The Governance of Information Technology (IT)

Please select one option for each

i. A formal IT policy and IT internal controls framework exist, to safeguard IT systems and manage IT risk.

Strongly disagree 1 2 3 4 5 Strongly agree

ii. The Leadership team for the company enforces implementation of IT policies and a culture of IT governance and controls.

Strongly disagree 1 2 3 4 5 Strongly agree

iii. Information and communication technology is aligned to the strategic objectives of your organisation.

Strongly disagree 1 2 3 4 5 Strongly agree

6. Compliance with laws, rules, codes and standards

Please select one option for each

i. The organisation has a compliance function responsible for monitoring compliance with internal corporate policies and external country laws and regulations.

Strongly disagree 1 2 3 4 5 Strongly agree

ii. Internal policies incorporate guidelines on anti-bribery and corruption within day to day operations.

Strongly disagree 1 2 3 4 5 Strongly agree

iii. Compliance is linked to ethics and embedded within the code of conduct.

Strongly disagree 1 2 3 4 5 Strongly agree

7. Internal Audit

Please select one option for each

i. A global internal audit function exists which is independent and free from interference.

Strongly disagree 1 2 3 4 5 Strongly agree

ii. The internal audit function reviews the risk and internal controls frameworks of the organisation regularly.

Strongly disagree 1 2 3 4 5 Strongly agree

iii. The internal audit function's role is effective in reporting irregularities objectively.

Strongly disagree 1 2 3 4 5 Strongly agree

8. Governing stakeholder relationships

Please select one option for each

i. There is significant emphasis on stakeholder management and considering internal and external stakeholders in decision-making.

Strongly disagree 1 2 3 4 5 Strongly agree

ii. A frequent and transparent communication programme exists to internal and external stakeholders on organisational affairs concerning them.

Strongly disagree 1 2 3 4 5 Strongly agree

iii. The organisation is committed to a minimum level of corporate social responsibility/ investment (CSR/I) initiatives with regions of operation.

Strongly disagree 1 2 3 4 5 Strongly agree

9. Integrated reporting and disclosure

Please select one option for each

i. The organisation reports on non-financial aspects such as the social and environmental impact of its operations.

Strongly disagree 1 2 3 4 5 Strongly agree

ii. Reporting includes a consideration of both negative and positive business impacts of the organisation's operations.

Strongly disagree 1 2 3 4 5 Strongly agree

SECTION C - Institutional Environments

This section aims to obtain additional insights on the impact of the institutional environment of the country of operation, on the multinational company's subsidiary/head office in which you are based.

It would be appreciated if you answered the questions to the best of your ability and as honestly as you can. ***(Each answer is limited to 100 characters).***

1. What are some of the external factors in the country's operating environment that challenge ethical practices within your organisation? (State 3 factors and provide a brief explanation if any)

_____

_____

_____

2. How effective are government laws in regulating companies operating within the country on issues related to transparency?

_____

_____

_____

3. Is there a high/medium/low ethical awareness in the business environment of the country? What is the impact of the selected level of ethical awareness on business practices in the environment?

_____

_____

_____

End of Survey - Thank you!

9.2 Adaptations in the questionnaire

The questionnaire was adapted from the King III (Institute of Directors Southern Africa, 2009), as well as the Corporate Governance Index (Institute of Internal Auditors South Africa, 2016). Certain terminology was adapted to enhance respondents' understanding of the question requirements, in accordance with internal language used within the multinational company's across regions.

Terminology as per King Code and Corporate Governance Index	**Adaptation for the purposes of the questionnaire**
The board	The leadership team (leadership team exists for sub-regions and overall regions e.g. West Africa, Southern Africa and overall for Africa)
Risk management for the company	Risk management for the region (risk management is at a regional level e.g. Africa)
Internal Audit Function	Global Internal Audit Function (one corporate internal audit function for all regions)
Audit Committee	Audit committee for worldwide operations (one corporate audit committee exists for all regions)

9.3 Corruption Perceptions Index (CPI): data sources

CPI is a composite index incorporating data from the following sources:

Source	Data form
1. African Development Bank Governance Ratings 2015	Country economists from 38 African countries Score 1 (very weak) to 6 (strong) Measure: Transparency, accountability and corruption in the public sector.
2. Bertelsmann Foundation Sustainable Governance Indicators 2016	Experts from 41 OECD and EU countries Score 1 (highest level of corruption) to 10 (lowest level) Measure: Corruption in the public sector and effectiveness of legal system.
3. Bertelsmann Foundation Transformation Index 2016	Country experts from 129 countries Score 1 (highest level of corruption) to 10 (lowest level) Measure: Accountability and government actions on corruption.
4. Economist Intelligence Unit Country Risk Ratings 2016	Team experts in London and in-country specialists from 129 countries Score 0 (very low incidence of corruption) to 4 (very high) Measure: Accountability in the public sector and independence of judicial system.
5. Freedom House Nations in Transit 2016	Report by regional and country specialists from 29 countries Score 1 (lowest level of corruption) to 7 (highest level) Measure: Control of corruption in the public sector by the government
6. Global Insight Country Risk Ratings 2015	100 in-house country specialists for 204 countries Score 1.0 (maximum corruption) to 5.0 (minimum corruption) Measure: Risk to business by in-country public sector corruption
7. IMD World Competitiveness Yearbook 2016	Senior business leaders from 61 countries Score 0 (highest level of perceived corruption) to 10 (lowest level) Measure: Existence of public sector corruption and bribery.
8. Political and Economic Risk Consultancy Asian Intelligence 2016	Survey of business executives and academics from 15 Asian countries and the USA Score 0 (not a problem) to 10 (a serious problem) Measure: Level of corruption in the public sector.
9. Political Risk Services International Country Risk Guide 2016	Collection of political and risk information - 140 countries Score 0 (highest potential risk) to 6 (lowest potential risk) Measure: Corruption in the political system and risk on business.
10. World Bank - Country Policy and Institutional Assessment 2015	Data collection by in-house staff on 76 countries Score 1 (low level of transparency) to 6 (high level of transparency) Measure: Accountability and transparency.
11. World Economic Forum Executive Opinion Survey (EOS) 2016	Survey of business executives from 135 economies Score 1 (very common) to 7 (never) Measure: Frequency of corruption and bribery in the countries.
12. World Justice Project Rule of Law Index 2016	Polls on the experts from 113 countries Score 0 (low) to 1 (high) Measure: Extent which the government uses office for private gain.
13. Varieties of Democracy (VDEM) Project 2016	Collaboration between scholars and universities globally on 76 countries Score 0 (low) to 1 (high) Measure: Pervasiveness of political corruption.

Source: Corruption Perceptions Index 2016: Full Source Description (Transparency International, 2017)

9.4 Response rate per question

Q1: ELCC_1 A documented code of conduct exists in our company, which outlines ethical practices to be applied internally.

Likert scale option		Frequency	Percent
Valid	Neither disagree/ agree (Not known)	5	2.5
	Somewhat agree	19	9.4
	Strongly agree	179	88.2
	Total answered questions and number of respondents	**203**	**100.0**

Q2: ELCC_2 The Leadership team for the company places importance on ethics and sets a tone of no tolerance for fraud and corruption.

Likert scale option		Frequency	Percent
Valid	Slightly disagree	1	0.5
	Neither disagree/ agree (Not known)	5	2.5
	Somewhat agree	30	14.8
	Strongly agree	166	81.8
	Total answered questions	**202**	**99.5**
Missing	**Unanswered questions**	**1**	**0.5**
Total number of respondents		**203**	**100.0**

Q3: ELCC_3 Ethics is a significant part of our organisational culture and day to day business operations.

Likert scale option		Frequency	Percent
Valid	Slightly disagree	1	0.5
	Neither disagree/ agree (Not known)	3	1.5
	Somewhat agree	30	14.8
	Strongly agree	167	82.3
	Total answered questions	**201**	**99.0**
Missing	**Unanswered questions**	**2**	**1.0**
Total number of respondents		**203**	**100.0**

Q4: BD_1 The Leadership team for the company takes responsibility for internal controls, risk and compliance with laws and regulations.

Likert scale option		Frequency	Percent
Valid	Slightly disagree	2	1.0
	Neither disagree/ agree (Not known)	12	5.9
	Somewhat agree	67	33.0
	Strongly agree	121	59.6
	Total answered questions	**202**	**99.5**
Missing	**Unanswered questions**	**1**	**0.5**
Total number of respondents		**203**	**100.0**

Q5: BD_2 The Leadership team for the company considers the impact of its strategy holistically, on financial performance, external environment and stakeholders.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	1	0.5
	Slightly disagree	1	0.5
	Neither disagree/ agree (Not known)	20	9.9
	Somewhat agree	68	33.5
	Strongly agree	111	54.7
	Total answered questions	**201**	**99.0**
Missing	**Unanswered questions**	**2**	**1.0**
Total number of respondents		**203**	**100.0**

Q6: BD_3 The Leadership team for the company acts as a steering head for corporate governance on issues such as transparency and managing conflicts of interests.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	1	0.5
	Slightly disagree	1	0.5
	Neither disagree/ agree (Not known)	27	13.3
	Somewhat agree	68	33.5
	Strongly agree	105	51.7
	Total answered questions	**202**	**99.5**
Missing	**Unanswered questions**	**1**	**0.5**
Total number of respondents		**203**	**100.0**

Q7: AC_1 An audit committee for worldwide operations exists, which is independent from the finance function.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	1	0.5
	Slightly disagree	3	1.5
	Neither disagree/ agree (Not known)	29	14.3
	Somewhat agree	46	22.7
	Strongly agree	124	61.1
	Total answered questions and number of respondents	**203**	**100.0**

Q8: AC_2 The audit committee's responsibilities include internal controls, fraud risk and IT risks specifically relating to financial reporting.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	1	0.5
	Slightly disagree	1	0.5
	Neither disagree/ agree (Not known)	29	14.3
	Somewhat agree	39	19.2
	Strongly agree	130	64.0
	Total answered questions	**200**	**98.5**
Missing	**Unanswered questions**	**3**	**1.5**
Total number of respondents		**203**	**100.0**

Q9: AC_3 The audit committee has oversight over the internal and external audit functions and the quality of their review and assurance processes.

Likert scale option		Frequency	Percent
Valid	Slightly disagree	3	1.5
	Neither disagree/ agree (Not known)	28	13.8
	Somewhat agree	66	32.5
	Strongly agree	104	51.2
	Total answered questions	**201**	**99.0**
Missing	**Unanswered questions**	**2**	**1.0**
Total number of respondents		**203**	**100.0**

Q10: RG_1 An established risk management function for the region exists, which is responsible for monitoring and setting risk tolerance levels.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	1	0.5
	Slightly disagree	11	5.4
	Neither disagree/ agree (Not known)	54	26.6
	Somewhat agree	65	32.0
	Strongly agree	67	33.0
	Total answered questions	**198**	**97.5**
Missing	**Unanswered questions**	**5**	**2.5**
Total number of respondents		**203**	**100.0**

Q11: RG_2 Region specific risks are communicated to all to ensure alignment in risk appetite and response at all levels.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	4	2.0
	Slightly disagree	20	9.9
	Neither disagree/ agree (Not known)	56	27.6
	Somewhat agree	62	30.5
	Strongly agree	58	28.6
	Total answered questions	**200**	**98.5**
Missing	**Unanswered questions**	**3**	**1.5**
Total number of respondents		**203**	**100.0**

Q12: RG_3 A framework or process to address unpredicted risks does not exist.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	34	16.7
	Slightly disagree	41	20.2
	Neither disagree/ agree (Not known)	72	35.5
	Somewhat agree	33	16.3
	Strongly agree	20	9.9
	Total answered questions	**200**	**98.5**
Missing	**Unanswered questions**	**3**	**1.5**
Total number of respondents		**203**	**100.0**

Q13: ITG_1 A formal IT policy and IT internal controls framework exist, to safeguard IT systems and manage IT risk.

Likert scale option		Frequency	Percent
Valid	Slightly disagree	3	1.5
	Neither disagree/ agree (Not known)	23	11.3
	Somewhat agree	77	37.9
	Strongly agree	99	48.8
	Total answered questions	**202**	**99.5**
Missing	**Unanswered questions**	**1**	**0.5**
Total number of respondents		**203**	**100.0**

Q14: ITG_2 The Leadership team for the company enforces implementation of IT policies and a culture of IT governance and controls.

Likert scale option		Frequency	Percent
Valid	Slightly disagree	5	2.5
	Neither disagree/ agree (Not known)	31	15.3
	Somewhat agree	77	37.9
	Strongly agree	89	43.8
	Total answered questions	**202**	**99.5**
Missing	**Unanswered questions**	**1**	**0.5**
Total number of respondents		**203**	**100.0**

Q15: ITG_3 Information and communication technology is aligned to the strategic objectives of your organisation.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	2	1.0
	Slightly disagree	8	3.9
	Neither disagree/ agree (Not known)	33	16.3
	Somewhat agree	80	39.4
	Strongly agree	78	38.4
	Total answered questions	**201**	**99.0**
Missing	**Unanswered questions**	**2**	**1.0**
Total number of respondents		**203**	**100.0**

Q16: COM_1 The organisation has a compliance function responsible for monitoring compliance with internal corporate policies and external country laws and regulations.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	1	0.5
	Slightly disagree	1	0.5
	Neither disagree/ agree (Not known)	15	7.4
	Somewhat agree	50	24.6
	Strongly agree	134	66.0
	Total answered questions	**201**	**99.0**
Missing	**Unanswered questions**	**2**	**1.0**
Total number of respondents		**203**	**100.0**

Q17: COM_2 Internal policies incorporate guidelines on anti-bribery and corruption within day to day operations.

Likert scale option		Frequency	Percent
Valid	Slightly disagree	1	0.5
	Neither disagree/ agree (Not known)	9	4.4
	Somewhat agree	50	24.6
	Strongly agree	143	70.4
	Total answered questions and number of respondents	203	100.0

Q18: COM_3 Compliance is linked to ethics and embedded within the code of conduct.

Likert scale option		Frequency	Percent
Valid	Neither disagree/ agree (Not known)	6	3.0
	Somewhat agree	53	26.1
	Strongly agree	144	70.9
	Total answered questions and number of respondents	203	100.0

Q19: IA_1 A global internal audit function exists which is independent and free from interference.

Likert scale option		Frequency	Percent
Valid	Slightly disagree	1	0.5
	Neither disagree/ agree (Not known)	21	10.3
	Somewhat agree	58	28.6
	Strongly agree	123	60.6
	Total answered questions and number of respondents	**203**	**100.0**

Q20: IA_2 The internal audit function reviews the risk and internal controls frameworks of the organisation regularly.

Likert scale option		Frequency	Percent
Valid	Slightly disagree	1	0.5
	Neither disagree/ agree (Not known)	27	13.3
	Somewhat agree	64	31.5
	Strongly agree	109	53.7
	Total answered questions	**201**	**99.0**
Missing	**Unanswered questions**	**2**	**1.0**
Total number of respondents		**203**	**100.0**

Q21: IA_3 The internal audit function's role is effective in reporting irregularities objectively.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	2	1.0
	Slightly disagree	4	2.0
	Neither disagree/ agree (Not known)	24	11.8
	Somewhat agree	69	34.0
	Strongly agree	101	49.8
	Total answered questions	**200**	**98.5**
Missing	**Unanswered questions**	**3**	**1.5**
Total number of respondents		**203**	**100.0**

Q22: SRG_1 There is significant emphasis on stakeholder management and considering internal and external stakeholders in decision-making.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	3	1.5
	Slightly disagree	4	2.0
	Neither disagree/ agree (Not known)	48	23.6
	Somewhat agree	89	43.8
	Strongly agree	58	28.6
	Total answered questions	**202**	**99.5**
Missing	**Unanswered questions**	**1**	**0.5**
Total number of respondents		**203**	**100.0**

Q23: SRG_2 A frequent and transparent communication programme exists to internal and external stakeholders on organisational affairs concerning them.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	1	0.5
	Slightly disagree	12	5.9
	Neither disagree/ agree (Not known)	42	20.7
	Somewhat agree	85	41.9
	Strongly agree	61	30.0
	Total answered questions	**201**	**99.0**
Missing	**Unanswered questions**	**2**	**1.0**
Total number of respondents		**203**	**100.0**

Q24: SRG_3 The organisation is committed to a minimum level of corporate social responsibility/ investment (CSR/I) initiatives with regions of operation.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	7	3.4
	Slightly disagree	1	0.5
	Neither disagree/ agree (Not known)	15	7.4
	Somewhat agree	52	25.6
	Strongly agree	127	62.6
	Total answered questions	**202**	**99.5**
Missing	**Unanswered questions**	**1**	**0.5**
Total number of respondents		**203**	**100.0**

Q25: IRD_1 The organisation reports on non-financial aspects such as the social and environmental impact of its operations.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	2	1.0
	Slightly disagree	5	2.5
	Neither disagree/ agree (Not known)	34	16.7
	Somewhat agree	63	31.0
	Strongly agree	98	48.3
	Total answered questions	**202**	**99.5**
Missing	**Unanswered questions**	**1**	**0.5**
Total number of respondents		**203**	**100.0**

Q26: IRD_2 Reporting includes a consideration of both negative and positive business impacts of the organisation's operations.

Likert scale option		Frequency	Percent
Valid	Strongly disagree	2	1.0
	Slightly disagree	10	4.9
	Neither disagree/ agree (Not known)	40	19.7
	Somewhat agree	77	37.9
	Strongly agree	73	36.0
	Total answered questions	**202**	**99.5**
Missing	**Unanswered questions**	**1**	**0.5**
Total number of respondents		**203**	**100.0**

9.5 Detailed reliability test results – Cronbach's Alpha

9.5.1 Construct one: Ethical leadership and corporate citizenship

Reliability Statistics ELCC					
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items			N of Items	
.760	.757			3	
Item-Total Statistics ELCC					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q1 ELCC_1	9.5939	.765	.480	.253	.793
Q2 ELCC_2	9.6639	.530	.705	.510	.538
Q3 ELCC_3	9.6443	.626	.608	.436	.659

Ethical leadership and corporate citizenship: Question 1 (ELCC_1) deleted

Reliability Statistics ELCC					
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items			N of Items	
.793	.794			2	
Item-Total Statistics ELCC					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q2 ELCC_2	4.8067	.215	.659	.434	.
Q3 ELCC_3	4.7872	.247	.659	.434	.

9.5.2 Construct two: Board and Directors

Reliability Statistics BD					
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items			N of Items	
.853	.854			3	
Item-Total Statistics BD					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q4 BD_1	8.7912	1.934	.672	.459	.844
Q5 BD_2	8.8826	1.614	.778	.608	.742
Q6 BD_3	8.9504	1.584	.734	.558	.789

9.5.3 Construct three: Audit Committee

Reliability Statistics AC		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.871	.872	3

Item-Total Statistics AC					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q7 AC_1	8.8261	2.108	.725	.548	.846
Q8 AC_2	8.7718	2.059	.814	.662	.763
Q9 AC_3	8.9016	2.257	.725	.553	.844

9.5.4 Construct four: Governance of risk

Reliability Statistics RG		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.649	.671	3

Item-Total Statistics RG					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q10 RG_1	6.9375	3.198	.564	.477	.435
Q11 RG_2	7.1216	2.837	.580	.488	.385
Q12 RG_3	7.6990	3.276	.287	.084	.813

Governance of risk: Question 12 (RG_3) deleted

Reliability Statistics RG		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.814	.817	2

Item-Total Statistics RG					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q10 RG_1	3.7487	1.078	.691	.477	.
Q11 RG_2	3.9371	.859	.691	.477	.

9.5.5 Construct five: Governance of IT

Reliability Statistics ITG		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.854	.859	3

Item-Total Statistics ITG					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q13 ITG_1	8.3518	2.366	.730	.558	.798
Q14 ITG_2	8.4606	2.129	.773	.608	.752
Q15 ITG_3	8.5866	2.036	.690	.480	.840

9.5.6 Construct six: Compliance with laws, rules, codes and standards

Reliability Statistics COM		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.838	.849	3

Item-Total Statistics COM					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q16 COM_1	9.3300	1.103	.633	.408	.866
Q17 COM_2	9.2480	1.170	.777	.647	.701
Q18 COM_3	9.2184	1.343	.726	.601	.764

Compliance with laws, rules, codes and standards: Question 16 (COM_1) deleted

Reliability Statistics COM		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.866	.869	2

Item-Total Statistics COM					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q17 COM_2	4.68	.278	.769	.591	.
Q18 COM_3	4.65	.347	.769	.591	.

9.5.7 Construct seven: Internal audit

Reliability Statistics IA		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.798	.801	3

Item-Total Statistics IA					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q19 IA_1	8.7132	1.967	.616	.383	.754
Q20 IA_2	8.8087	1.799	.676	.457	.690
Q21 IA_3	8.8898	1.612	.646	.423	.728

9.5.8 Construct eight: Governing stakeholder relations

Reliability Statistics SRG		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.544	.550	3

Item-Total Statistics SRG					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q22 SRG_1	8.4007	1.838	.490	.317	.225
Q23 SRG_2	8.4060	1.879	.429	.303	.322
Q24 SRG_3	7.9251	2.366	.181	.038	.709

Governing stakeholder relations: Question 24 (SRG_24) removed

Reliability Statistics SRG					
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items			N of Items	
.709	.709			2	
Item-Total Statistics SRG					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q22 SRG_1	3.9600	.791	.550	.302	.
Q23 SRG_2	3.9652	.736	.550	.302	.

9.5.9 Construct nine: Integrated reporting and disclosure

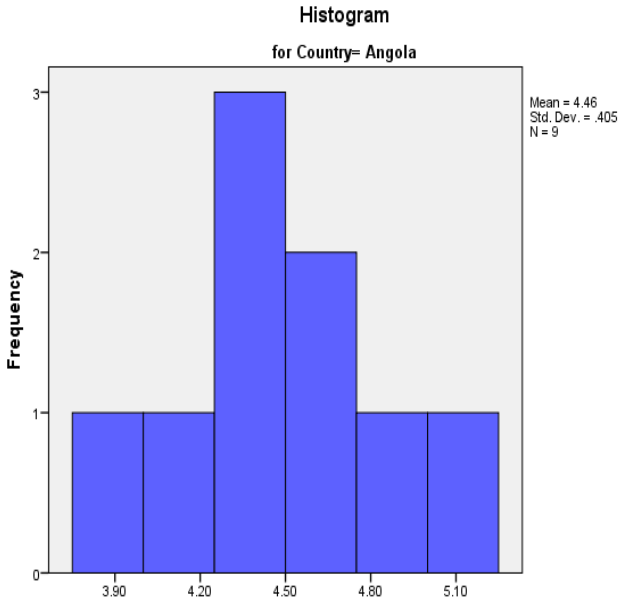
Reliability Statistics IRD					
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items			N of Items	
.836	.837			2	
Item-Total Statistics IRD					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Q25 IRD_1	4.0333	.846	.719	.517	.
Q26 IRD_2	4.2367	.785	.719	.517	.

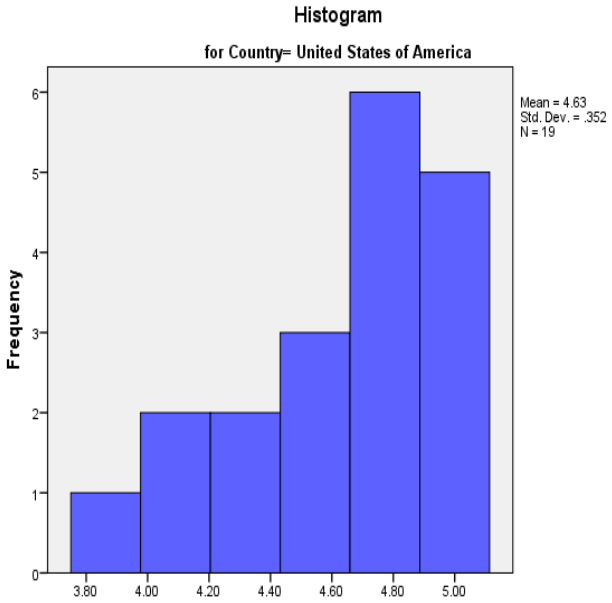
9.6 Tests of normality and histograms

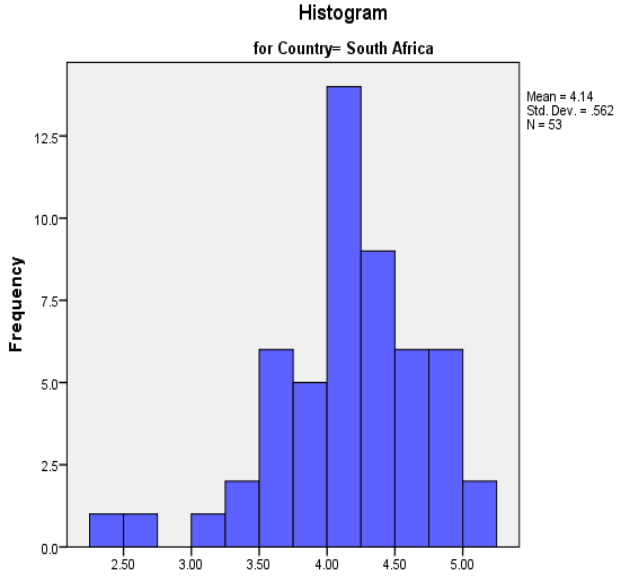
Overall Corporate Governance – Normality test

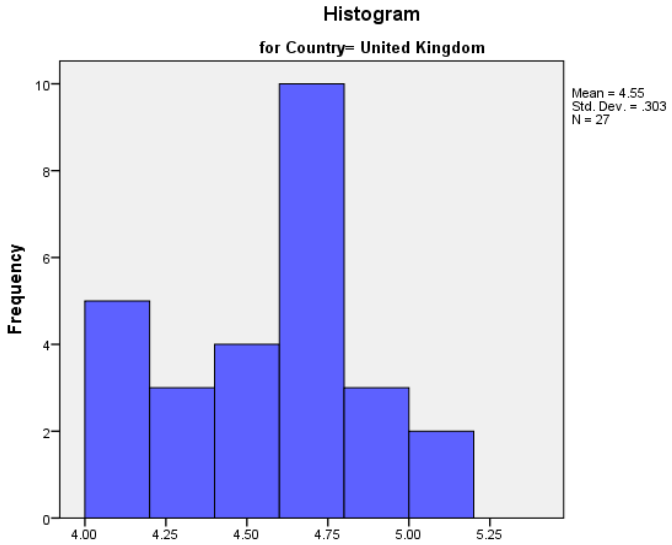
Overall corporate governance - tests of normality						
	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Corporate governance	.093	203	.000	.946	203	.000

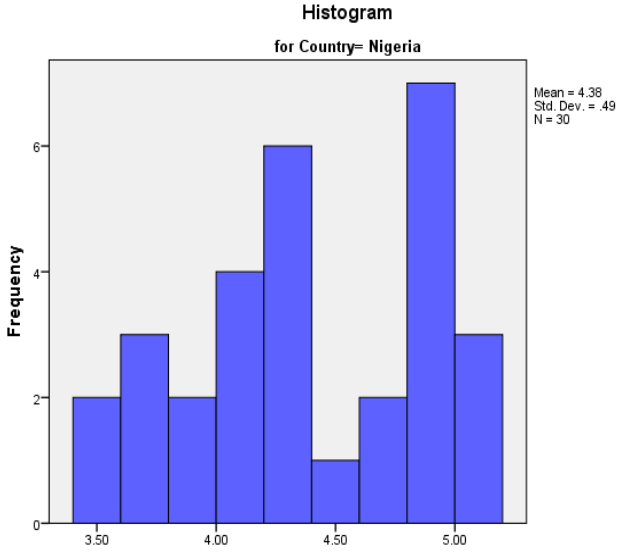
Corporate governance histograms by country

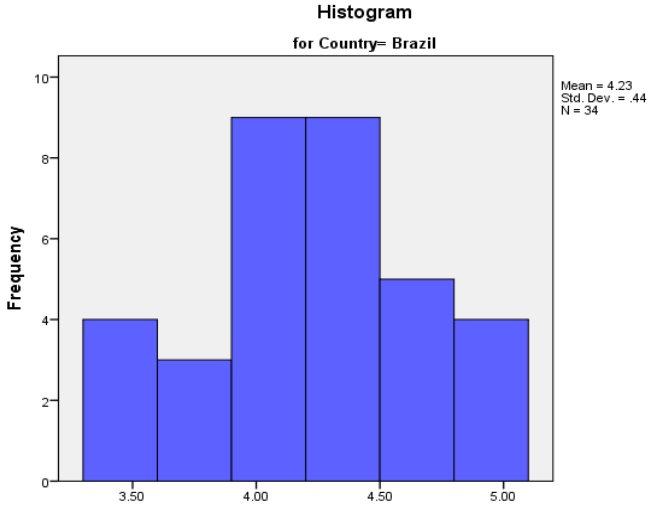


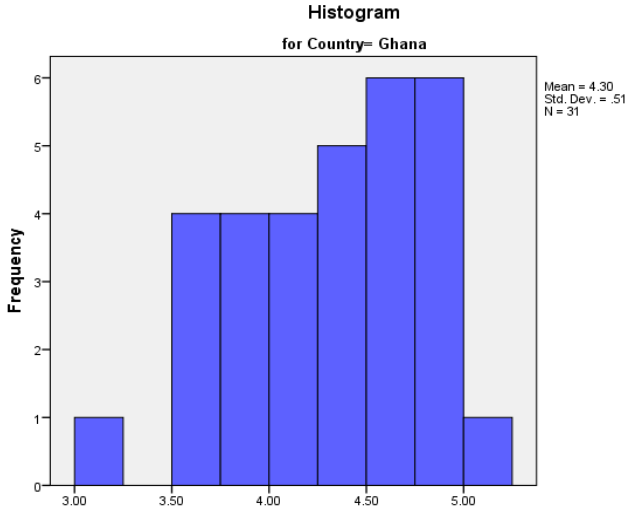












9.7 Detailed Descriptive statistics

Descriptive statistics: each construct by country classification

DEVELOPED COUNTRIES	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	46	3.29	5.00	4.7241	.38677
Leadership accountability	46	3.57	5.00	4.4409	.43962
Internal controls and policies	46	3.00	5.00	4.5232	.47093
Ethical tone	46	4.00	5.00	4.9130	.26467
Reporting transparently	46	2.50	5.00	4.3370	.69165
Overall average score	**46**	**3.86**	**5.00**	**4.5794**	**.32246**

DEVELOPING COUNTRIES	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	157	2.57	5.00	4.3670	.58197
Leadership accountability	157	1.71	5.00	4.0413	.64323
Internal controls and policies	157	2.25	5.00	4.2830	.64402
Ethical tone	157	2.00	5.00	4.7630	.47160
Reporting transparently	157	1.00	5.00	4.0759	.86825
Overall average score	**157**	**2.41**	**5.00**	**4.2576**	**.50934**

Descriptive statistics: Construct by region

AFRICA	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	123	2.57	5.00	4.4032	.57385
Leadership accountability	123	1.71	5.00	4.0193	.66604
Internal controls and policies	123	2.25	5.00	4.2718	.65328
Ethical tone	123	2.00	5.00	4.7625	.49653
Reporting transparently	123	1.00	5.00	4.1294	.83934
Overall average score	**123**	**2.41**	**5.00**	**4.2649**	**.52827**

LATIN AMERICA	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	34	3.00	5.00	4.2361	.60093
Leadership accountability	34	2.86	5.00	4.1212	.55451
Internal controls and policies	34	3.00	5.00	4.3235	.61708
Ethical tone	34	4.00	5.00	4.7647	.37407
Reporting transparently	34	1.00	5.00	3.8824	.95393
Overall average score	**34**	**3.32**	**5.00**	**4.2313**	**.44018**

NORTH AMERICA	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	19	3.86	5.00	4.8120	.32664
Leadership accountability	19	3.57	5.00	4.5038	.48180
Internal controls and policies	19	3.00	5.00	4.5000	.54006
Ethical tone	19	4.00	5.00	4.8684	.32669
Reporting transparently	19	3.50	5.00	4.4211	.58365
Overall average score	**19**	**3.86**	**5.00**	**4.6268**	**.35163**

EUROPE	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	27	3.29	5.00	4.6622	.41883
Leadership accountability	27	3.57	5.00	4.3966	.41094
Internal controls and policies	27	3.50	5.00	4.5395	.42573
Ethical tone	27	4.00	5.00	4.9444	.21183
Reporting transparently	27	2.50	5.00	4.2778	.76376
Overall average score	**27**	**4.00**	**5.00**	**4.5461**	**.30261**

For each construct by country

NIGERIA	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	30	3.29	5.00	4.4427	.51919
Leadership accountability	30	3.14	5.00	4.1614	.61239
Internal controls and policies	30	3.00	5.00	4.4167	.59572
Ethical tone	30	4.00	5.00	4.8983	.24158
Reporting transparently	30	3.00	5.00	4.3000	.76112
Overall average score	**30**	**3.41**	**5.00**	**4.3769**	**.49044**

SOUTH AFRICA	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	53	2.57	5.00	4.4021	.62280
Leadership accountability	53	1.71	5.00	3.8361	.72037
Internal controls and policies	53	2.25	5.00	4.1072	.68087
Ethical tone	53	2.00	5.00	4.6321	.62903
Reporting transparently	53	1.00	5.00	3.9135	.93911
Overall average score	**53**	**2.41**	**5.00**	**4.1449**	**.56161**

ANGOLA	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	9	3.86	5.00	4.4603	.40266
Leadership accountability	9	3.71	5.00	4.3929	.50885
Internal controls and policies	9	3.00	5.00	4.3611	.68592
Ethical tone	9	4.00	5.00	4.8333	.35355
Reporting transparently	9	3.50	5.00	4.5556	.58333
Overall average score	**9**	**3.77**	**5.00**	**4.4634**	**.40472**

USA	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	19	3.86	5.00	4.8120	.32664
Leadership accountability	19	3.57	5.00	4.5038	.48180
Internal controls and policies	19	3.00	5.00	4.5000	.54006
Ethical tone	19	4.00	5.00	4.8684	.32669
Reporting transparently	19	3.50	5.00	4.4211	.58365
Overall average score	**19**	**3.86**	**5.00**	**4.6268**	**.35163**

BRAZIL	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	34	3.00	5.00	4.2361	.60093
Leadership accountability	34	2.86	5.00	4.1212	.55451
Internal controls and policies	34	3.00	5.00	4.3235	.61708
Ethical tone	34	4.00	5.00	4.7647	.37407
Reporting transparently	34	1.00	5.00	3.8824	.95393
Overall average score	**34**	**3.32**	**5.00**	**4.2313**	**.44018**

GHANA	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	31	3.00	5.00	4.3502	.59800
Leadership accountability	31	2.86	5.00	4.0863	.58904
Internal controls and policies	31	3.00	5.00	4.3871	.61522
Ethical tone	31	3.50	5.00	4.8334	.41447
Reporting transparently	31	3.00	5.00	4.2097	.71617
Overall average score	**31**	**3.05**	**5.00**	**4.3041**	**.51047**

UK	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
Effectiveness of oversight bodies	27	3.29	5.00	4.6622	.41883
Leadership accountability	27	3.57	5.00	4.3966	.41094
Internal controls and policies	27	3.50	5.00	4.5395	.42573
Ethical tone	27	4.00	5.00	4.9444	.21183
Reporting transparently	27	2.50	5.00	4.2778	.76376
Overall average score	**27**	**4.00**	**5.00**	**4.5461**	**.30261**

DESCRIPTIVES BY EMPLOYEE LEVEL		N	Mean	Std. Deviation	Std. Error
Overall corporate governance	Leadership Team	22	4.5630	.34652	.07388
	Senior Management	32	4.4768	.41351	.07310
	Middle management	100	4.2729	.52235	.05224
	None of the above	49	4.2483	.48866	.06981
	Total	203	4.3306	.49168	.03451
Effectiveness of oversight bodies	Leadership Team	22	4.6948	.38000	.08102
	Senior Management	32	4.6964	.41332	.07307
	Middle management	100	4.3712	.59770	.05977
	None of the above	49	4.3313	.57440	.08206
	Total	203	4.4479	.56334	.03954
Leadership accountability	Leadership Team	22	4.4383	.47837	.10199
	Senior Management	32	4.1819	.61347	.10845
	Middle management	100	4.0688	.64911	.06491
	None of the above	49	4.0904	.61417	.08774
	Total	203	4.1319	.62505	.04387
Internal controls and policies	Leadership Team	22	4.5114	.56420	.12029
	Senior Management	32	4.3672	.61560	.10882
	Middle management	100	4.2943	.64835	.06484
	None of the above	49	4.3279	.57379	.08197
	Total	203	4.3374	.61634	.04326
Ethical tone	Leadership Team	22	4.9545	.14712	.03137
	Senior Management	32	4.9203	.22356	.03952
	Middle management	100	4.7544	.49970	.04997
	None of the above	49	4.7327	.46788	.06684
	Total	203	4.7970	.43741	.03070
Reporting transparently	Leadership Team	22	4.2500	.92260	.19670
	Senior Management	32	4.5156	.66581	.11770
	Middle management	100	4.1192	.84440	.08444
	None of the above	49	3.8673	.80218	.11460
	Total	203	4.1350	.83712	.05875

9.8 Qualitative analysis results

- **Nigeria**

New or confirmatory comment **What are some of the external factors in the country's operating environment that challenge ethical practices within your organisation?**		**Key take-outs**
New insight and repeat comment	Poverty and lack of basic services	-Low income -poverty -lack of infrastructure - low inclusion of society / socio economic factors
Confirmatory and repeat comment	Culture of bribery and corruption	-Public sector officials perpetuating corruption -business environment is entrenched with bribery and corruption - payments for business (middle men issue also) -results in lost sales (trade-off between ethics and business) - low ethical awareness
Confirmatory and repeat comment	Weak regulation system (effectiveness and consistency)	-Unequal treatment of business by regulators (inconsistency) -payment to regulators to overthrow law - weak regulatory effectiveness
Confirmatory	Market competition	-Economic situation
Confirmatory	Tribalism, God-fatherism and fiefdoms within politics	-use of those in political power -fiefdoms and cabals
New or confirmatory comment **How effective are government laws in regulating companies operating within the country on issues related to transparency?**		**Key take-outs**
Confirmatory and repeat comment	Existent but ineffective government laws	-Laws exist but poor execution, enforcement, consistency and effectiveness -Bodies exist to govern corruption
Confirmatory	Unclear government laws	Laws exist but do not clearly address an issue Also outdated laws that do not match changing times
Confirmatory and repeat comment	New anti-corruption bodies and laws being established	New government bodies introduced to address corruption and fraud specifically
New or confirmatory comment **Is there a high/medium/low ethical awareness in the business environment of the country? What is the impact of the selected level of ethical awareness on business practices in the environment?**		**Key take-outs**
Confirmatory and repeat comment	Companies enforcing ethics struggle with the environment	Lost sales occur - trade-off between business and ethics
New insight and repeat comment	Multinational companies are strong in their ethics, compared to local companies	Multinational companies in general maintain ethical practices but results in lost sales
Confirmatory and repeat comment	Medium to High ethical awareness however low compliance	Medium to high ethical awareness but weak ethical practices and compliance

- **South Africa**

New or confirmatory comment **What are some of the external factors in the country's operating environment that challenge ethical practices within your organisation?**		**Key take-outs**
Confirmatory and repeat comment	Political climate	- Corruption bought in dominant political parties - Autocratic government
Confirmatory and repeat comment	Government ineffectiveness, corruption, bribery and bureaucracy	-Bribery in the public sector e.g. tenders and BBBEE compliance
Confirmatory and repeat comment	Culture of bribery and corruption	-Historical inequalities -The country's past political environment has a strong influence on peoples' behaviour
Confirmatory and repeat comment	Weak and ineffective regulation system	-Unclear legislation - pressure to comply with certain regulations e.g. BBBEE
Confirmatory and repeat comment	Economic climate	- Economic downturn and market competition - Socio-economic factors
New or confirmatory comment **How effective are government laws in regulating companies operating within the country on issues related to transparency?**		**Key take-outs**
Confirmatory and repeat comment	Fairly effective - room for improvement	-Effective in some industries more than others - Labour law needs enforcement - International trade carefully regulated - Sometimes misused or misunderstood - Bribery impairs their effectiveness - Social capital in the government is lacking - Ineffective enforcement of laws
New or confirmatory comment **Is there a high/medium/low ethical awareness in the business environment of the country? What is the impact of the selected level of ethical awareness on business practices in the environment?**		**Key take-outs**
Confirmatory and repeat comment	Medium to High ethical awareness however low compliance	-there are gaps to bypass or seek quick monetary gains in the business environment. - Impact is that employees adhere to ethical practices - usually political factors come to play weakening the business environment - no consequences for ethical malpractices - ethical norms are not defined
Confirmatory and repeat	Multinational companies are strong in their ethics despited weak environment	'- The larger the company and the more global the company, the more ethical structures - some companies do not have resources to avoide ethical issues - As much as this is the case, unethical behaviors will always be enforced by the environment in the current climate of this country.
Confirmatory	Doing things the right way all the time might cause lost business	Doing things the right way all the time might cause lost business
New insight and repeat	Size of company is related to ethical practices - bigger companies more ethical	-large corporations are aware of potebtial reputational damage.
New insight and repeat	Private and public sector levels differ	'-Low in the public sector, and high in the private sector - public sector corruption exists which creates negative stigmas around the country and private sector

New insight	Impacted by the background of the employee in the organisation	- Employees whose ethical culture does not line up with the organisation may exist

- **Angola**

New or confirmatory comment What are some of the external factors in the country's operating environment that challenge ethical practices within your organisation?		**Key take-outs**
Confirmatory	Market factors - uncontrolled informal market and competition	N/A
New insight and repeat comment	Poverty and lack of basic services	-Low income -poverty -lack of basic services
Confirmatory and repeat comment	Government ineffectiveness, corruption, bribery and bureaucracy	-political instability -government ineffectiveness
How effective are government laws in regulating companies operating within the country on issues related to transparency?		**Key take-outs**
Confirmatory and repeat comment	Existent but ineffective government laws	-Laws exist but poor execution, enforcement, and effectiveness -Bodies exist to govern corruption
New or confirmatory comment Is there a high/medium/low ethical awareness in the business environment of the country? What is the impact of the selected level of ethical awareness on business practices in the environment?		**Key take-outs**
New insight	Multinational companies are strong in their ethics despited weak environment	The multinonal company maintains ethical awareness despite the operating environment
Confirmatory	Companies enforcing ethics struggle with time-consuming bureaucracy	Bureacracy makes it longer for MNC's to resolve issues
Confirmatory	Medium to High ethical awareness however low compliance	Medium to high ethical awareness but weak ethical practices and compliance

- **Brazil**

New or confirmatory aspect What are some of the external factors in the country's operating environment that challenge ethical practices within your organisation?		**Key take-outs**
Confirmatory and repeat comment	Culture of bribery and corruption in Brazil	- Government corruption and pushing personal interests -Political instability & Bribery entrenched in public deals - Culture of corruption exists even in the private sector - Historical issue in Brazil
Confirmatory and repeat comment	Weak regulation system (effectiveness and consistency)	-Bureaucracy - Weak law enforcement - Complex and unclear tax rules - Inconsistent laws

New insight and repeat	Socio-economic factors e.g. tax increases	-price increases and tax increases - Economic recession and instability - Lack of trust between people - lack of patriotism -Lack of education
Confirmatory and repeat	Unfair competition	-larger companies have better business prospects - Increased competition result in unethical negotiations
New or confirmatory aspect How effective are government laws in regulating companies operating within the country on issues related to transparency?		**Key take-outs**
Confirmatory and repeat comment	Existent but ineffective government laws	-Bureaucratic laws - Laws exist but poor enforcement, implementation, application and effectiveness e.g. Petrobras / Odebrecht companies involved in corruption
Confirmatory and repeat comment	New anti-corruption laws being established	-Laws have been issued after major corruption scandals e.g. "Lava-Jato" (the car wash) federal operation.
Confirmatory and repeat comment	Open reprimand of companies involved with corruption	Brazil is experiencing a moment of transition to an open and transparent market. Openly reprimanding corrupt politicians and companies.
New or confirmatory aspect Is there a high/medium/low ethical awareness in the business environment of the country? What is the impact of the selected level of ethical awareness on business practices in the environment?		**Key take-outs**
New insight	Multinational companies are strong in their ethics despite weak environment	The multinational company maintains ethical awareness with measures such as trainings
Confirmatory and repeat comment	Low to medium ethical awareness	-Awareness exists due to fear of investigations on non-compliance - Openness in sanctions by police and government - Despite awareness abuse still exists
Confirmatory comment	Level heightens corruption and bribery and need for regulation	Weak ethical monitoring
Confirmatory and repeat comment	Level heightens social issues such as inequality and harassment	-Lower access to basic services - Harassment and mistreatment of others
New insight and repeat comment	Size of company is related to ethical practices - bigger companies more ethical	Smaller companies struggle with ethics
Confirmatory comment	Companies enforcing ethics struggle with time-consuming bureaucracy	Time-consuming processes result

- **Ghana**

New or confirmatory comment What are some of the external factors in the country's operating environment that challenge ethical practices within your organisation?		**Key take-outs**
Confirmatory and repeat comment	Culture of bribery and corruption	- "The way of life in Ghana " - General trend in society which perpetuates the problem - General attitude of "what is in it for me". - Reluctance to change and lack of commitment to comply

		- Conflicts of interest - Traditional culture does not connect with ethics
Confirmatory and repeat comment	Public sector corruption	- Corruption in the public sector - Poor reprimand for government corruption - Bureaucracy - Lack of political will - Political affiliation usually gets one a contract
Confirmatory and repeat comment	Weak regulatory and judicial system	Lack of proper recourse for non-compliance
New insight and repeat comment	Socio-economic factors	- Education system does not address ethics - Low wages - Fear of losing job resulting in covering of ethical issues
Confirmatory and repeat	Unfair competition	Uneven playing field where those with more funds survive through bribery
New or confirmatory comment How effective are government laws in regulating companies operating within the country on issues related to transparency?		**Key take-outs**
Confirmatory and repeat comment	Laws and frameworks exist but not effective	- Weak and sporadic enforcement of laws - Weak implementation of laws - no consequence for business misconduct - improper infrastructure for law enforcement - "Laws on public financial administration and procurement which is key in ensuring transparency and standardization" - Regulatory bodies are ill-resourced and use bribery
Confirmatory and repeat comment	New anti-corruption bodies and agencies established	-government agencies being established with repercussions for lack of transparency.
New or confirmatory comment Is there a high/medium/low ethical awareness in the business environment of the country? What is the impact of the selected level of ethical awareness on business practices in the environment?		**Key take-outs**
Confirmatory and repeat comment	Medium to High ethical awareness however low compliance	Results in ineffectiveness of laws and higher corruption Individuals are not aware of laws There are some initiatives in Ghana = e.g. Club100 project Most businesses do not have ethical structures
Confirmatory	Multinational companies rely on group ethical codes codes	In the absence of any code, businesses are challenged by external forces.
New insight and repeat	Results in unfair competition	Ethical practices are traded off for business
New insight	Ethical awareness depends on the level of management	High from medium to leadership level. Low for shop floor employees
Confirmatory	Pressure on employees and business	-There is undue pressure on employees to perform - Pressure on business to engage in unethical methods to win business -Authority used to coerce employees against ethics
Confirmatory	High costs of business	Businesses suffer - results in high costs of business

- **UK**

New or confirmatory aspect **What are some of the external factors in the country's operating environment that challenge ethical practices within your organisation?**		**Key take-outs**
Confirmatory and repeat	Ethical culture generally exists	Generally the environment is ethical. There are fair trading laws and friendly regulations. Increased requirements for transparency of businesses through disclosure.
Confirmatory and repeat	Strong competition	Caused by difficult market conditions
Confirmatory and repeat	Political factors and excessive bureaucracy	Brexit creating uncertainty for the business environment and future of the economy Tax avoidance is an issue for example transfer pricing Tax laws continuously changing
New insight and repeat	Socio-economic factors	Education and poor communication
New insight and repeat	Lack of customer due diligence	Potentially engaging in business with an unethical customer
New insight	Multinational companies bring conflicting ethical laws	UK is home to many global organisations Also fellow subsidiaries have conflicting practices
New or confirmatory aspect **How effective are government laws in regulating companies operating within the country on issues related to transparency?**		**Key take-outs**
Confirmatory and repeat	Very effective government laws	-Anti-corruption laws are many and are disclosed
Confirmatory and repeat	Very effective corporate governance laws and practices	-Laws promote more disclosures and transparency e.g. tax laws - Corporate governance code very effective - Companies have a heighted self-governance above the requirements - Focus on multinational companies compliance with tax laws - clarity exists
New insights and repeat	Some gaps exist	- Government is sometimes weak in enforcement depending on company - Transparency does require regulation in the market - some complex transactions are overlooked
New or confirmatory aspect **Is there a high/medium/low ethical awareness in the business environment of the country? What is the impact of the selected level of ethical awareness on business practices in the environment?**		**Key take-outs**
Confirmatory repeat	Medium to high ethical awareness in the business environment	Enforcement is in place and awareness is high
New insight	Increase in collaboration in the organisation and efficiency	Employees feel valued and openly communicate with seniors on ethical issues Fair and just treatment results
Confirmatory repeat	Some drawbacks exist from the high awareness	-Compliance slows down in decision-making - Still some companies try and evade compliance - Sometimes weak enforcement leads to corruption - Low consultation by businesses on areas requiring clarification
New insight	Size of company is related to ethical practices	Bigger companies more ethical

New insight	Awareness depends on level in the organisation - high if you are more strategic, low if you are not strategic	Not embedded in lower level employees - training and emails not sufficient

- **USA**

New or confirmatory comment **What are some of the external factors in the country's operating environment that challenge ethical practices within your organisation?**		**Key take-outs**
Confirmatory and repeat	Political climate	Abuse with government funded projects
Confirmatory and repeat	Economic climate	-Stock value for listed companies -Impact of oil prices -Competitive environment -Emission standards - Constantly changing tax laws
New or confirmatory comment **How effective are government laws in regulating companies operating within the country on issues related to transparency?**		**Key take-outs**
New insight	Mixed views: For effectiveness	- High fines for non-compliance - Strong transparency - High effectiveness post Enron - public filings and external audits - Sox is seen as particularly effective - other effective acts - Securities Act, Dodd Frank
	Mixed views: Against effectiveness	- not as effective as they could be - better system required for whistle blowers
New or confirmatory comment **Is there a high/medium/low ethical awareness in the business environment of the country? What is the impact of the selected level of ethical awareness on business practices in the environment?**		**Key take-outs**
Confirmatory and repeat	Medium to High in the business environment	Due to: - Media coverage of corruption - Past failures have increased awareness e.g. Enron and WorldCom - Awards are given to those with high ethics - Ethics is a culture in USA *"The government enforces an ethical culture, yet the country as a whole is always striving for more."* However sometimes low compliance is noted
New insight	Employees behave more ethically	N/A
Confirmatory and repeat	Business/ corporate ethics are extremely high	- Companies have ethical codes and practices, as well as trainings at all levels in the organisation - Significant resources are allocated to ethics and compliance in organisations e.g. training

9.9 Ethical clearance

Ethical clerrance granted for the research on 13 July 2017

Dear Nancy,

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee