

Report On
**The Influence of Corporate Governance Structure on the Performance of the
listed Multinational Organizations in Bangladesh**

By

Dipanjan Saha
Student ID. 16204100

**An internship report submitted to the BRAC Business School (BBS) in partial fulfillment
of the requirements for the degree of
Bachelor of Business Administration (BBA)**

BRAC Business School
BRAC University
April, 2020

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Inspiring Excellence

**BUS 400 - Internship
Spring 2019**

**Internship Report
On
The Influence of Corporate Governance Structure on the Performance of the listed
Multinational Organizations in Bangladesh**

Submitted To

Dr. Suman Paul Chowdhury

Joint Register, and Assistant Professor & Program Director - MBA

BRAC Business School

Prepared By

Dipanjan Saha – 16204100

Date of Submission: 30th April 2020

DECLARATION

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

Student's Full Name & Signature:

Dipanjan Saha
Student ID. 16204100

LETTER OF TRANSMITTAL

April 30, 2020

Dr. Suman Paul Chowdhury

Joint Register, and Assistant Professor & Program Director – MBA

BRAC Business School

BRAC University

66 Mohakhali, Dhaka – 1212

Subject: Submission of my Internship Report on British American Tobacco Bangladesh.

Dear Sir,

It is an immense pleasure for me to be able to present my internship report to you on the topic **“The Influence of Corporate Governance Structure on the Performance of the listed Multinational Organizations in Bangladesh”**. I have prepared the report following the instructions provided by you and the internship committee of BRAC Business School and I hope that it met all the requirements. Most of the information used in the report are from secondary sources, since the use of primary data is strictly discouraged by the MNCs and also not made available for the external stakeholders. My research went to address ten renowned MNCs and their overall published data on the recent 5-6 years of their annual report respectively.

I would like to convey my utmost gratitude and appreciation for your kind cooperation and supervision in preparing my internship report. The report helped me to understand the importance of a good governance structure in an organization and how a good governance structure can be practiced in a business environment.

Sincerely,

Dipanjan Saha

ID. 16204100

BRAC Business School

BRAC University

LETTER OF ENDORSEMENT

This is to state that, the Internship Report titled “**The Influence of Corporate Governance Structure on the Performance of the listed Multinational Organizations in Bangladesh**” has been prepared under my supervision by Dipanjan Saha, ID.16204100, a student of BRAC Business School, with major concentration in Finance and Accounting, and a minor concentration in Economics. He is currently playing the role of Commercial Finance Analyst – Leaf Operations in British American Tobacco Bangladesh. This internship report fulfills the final requirement to complete his undergraduate degree in Bachelors of Business Administration (BBA). The report has been accepted and may be presented to the Internship Defense Committee for evaluation.

I wish him a successful corporate career ahead.

Disclaimer: Any opinions, suggestions made in this report are entirely that of the author of the report. The University does not condone nor reject any of these opinions or suggestions.

Regards,

Dr. Suman Paul Chowdhury

Joint Register, and Assistant Professor & Program Director – MBA

BRAC Business School

BRAC University

ACKNOWLEDGEMENT

Foremost, I would like to convey my heartiest gratitude to my mother for giving me the continuous support all throughout my university timeline despite many difficulties and challenges.

My sincere gratitude also goes to my internship supervisor, Dr. Suman Paul Chowdhury, Joint Register, and Assistant Professor & Program Director – MBA, BRAC University, for providing me with continuous support and motivation, starting from the accounting courses to the end of this Internship report. I am extremely thankful to him for all his guidance during my journey here at BRAC University. Alongside with him, I would like to thank each and every faculty member of BRAC University with whom I had classes with because they are the reasons behind who I am today.

I would also like to express my gratitude to my line manager at my workplace, Mr. Shahriar Hasnaine (Commercial Finance Manager – Leaf Operations) to bring me up to the pace during this short period of time so that I get to play my job role much more swiftly. My gratitude also goes to Mr. Maznul Ahsan (Assistant Commercial Finance Manager – Leaf Operations) to mentor me with each and every detail of the financial segments of the leaf operations here at British American Tobacco Bangladesh. Alongside with them, I would also like to thank each and every member of Operations Finance and Leaf Operations Team to support and guide me throughout these few months of tenure at BAT Bangladesh. I am also thankful to various executives here at my office for their support and invaluable insights that helped me to learn, grow and accomplish my tasks successfully.

This report is an output of numerous indirect teamwork of many people at both my academic and professional life.

EXECUTIVE SUMMARY

Corporate Governance practices are yet to absorb effectively by most of the business organizations in Bangladesh. However, companies gradually begin to incorporate the “good” government culture after strict BSEC intervention in the past several years and the overall scenario are indeed improving. Multinational Organizations really picked up the pace in practicing good governance cultures because of the both global and local demanding environment, whereas the local firms are lagging behind incorporating these factors in their business environment. Being listed on stock exchanges, the requirement to maintain good governance became mandatory for the organizations protecting shareholder rights. To examine the present scenario of corporate governance in Bangladesh, financial data of ten listed multinational organizations from the current five years of audited annual reports were collected and ran into regression analysis. Since these organizations were really doing good on profit margin, profitability variables like ROA and ROE were considered as dependent variables for the multivariable regression. Explanatory corporate governance factors like independent directors on executive boards, expert audit committee members and government ownership showed positive relationship with firm performance. On the contrary, explanatory factors like board size, insider ownership and institutional ownership failed to provide any evidence for any relationship with firm performance. In order to further improve the “good” governance practices, local firms will also need to step up along with the MNCs to create a revolutionary change in the perception of businesses of Bangladesh in the global arena.

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Chapter 01: Overview of Internship

This section of the report will brief about the overall view of the on-the-role experience I encountered while working in BAT Bangladesh.

1.1 Student Information

I, Dipanjan Saha, ID. 16204100, is an undergraduate student of BRAC University. I am currently pursuing the degree of Bachelors of Business Administration (BBA) from BRAC Business School of the respective university. I choose Accounting and Finance as my specialization (dual major) in the business background and Economics as a minor. This internship report is a part of the BBA course curriculum of the respective school entitling the to-be-graduate students with the practical business scenario and let them connect their concepts accordingly.

1.2 Internship Information

1.2.1 Period, Company Name, Department/Division, Address

I joined British American Tobacco Bangladesh on 01st of May, 2019 in the Finance department of the company, in the role of Commercial Finance Analyst – Leaf Operations. It was a role of a Finance Business Partner to the Leaf Operations team of the company. The role was particularly designated under the Operations Finance wing of the Finance department. The head office of BAT Bangladesh is located in Mohakhali DOHS, Dhaka.

1.2.2 Internship Company Supervisor's Information: Name and Position

I was placed under the direct supervision of Mr. Shahriar Hasnaine, Commercial Finance Manager-Leaf Operations, to whom I report back my work progresses. I also had a coach for the first few months in the company - Mr. Maznul Ahsan, Assistant Commercial Finance Manager – Leaf Operations. Being the manager of the Leaf Finance wing, Mr. Hasnaine reports back the overall financial scenario of us to the Operations Finance Controller.

1.2.3 Job Scope

As mentioned earlier, I joined BAT Bangladesh Finance Team as Commercial Finance Analyst – Leaf Operations, a role of Finance Business Partner to the Leaf Operations Team. I was entrusted with the Chittagong Leaf growing team as the prominent role. However, my scope of work was

not restricted to the Leaf Growing Team. Leaf Growing managers works on the field level hand-to-hand with the thousands of registered farmers and ensures the supply of proper quality tobacco lead to the GLT Factory.

Alongside the prominent role, I also used to lend a hand in the GLT factory finance operations remotely assisting in the material resource planning of the Leaf Team. As a matter of fact, I was stationed in GLT factory for a few months to understand it's inside out and it was my first factory finance operations attachment. Moreover, there are other wings of Leaf Team whose finance deals were within the jurisdiction of Leaf Finance Team, such as Leaf Export and Leaf Sustainability Team.

Not all the tobacco that are grown in Bangladesh are used for domestic production of cigarettes, some of them are also exported. The finance of these international trades is looked over by the Treasury and Leaf Finance Team jointly. Moreover, there are Leaf Sustainability and Agronomy Team who works with the Leaf Growing Team on the field level and ensures the satisfaction of farmers, works for the improvement of better crops, undergo significant research in collaboration with Agricultural institutions and maintains a healthy relationship with local administrations to ensure a smooth Leaf Operations.

Along with the business partnering responsibilities, I also have to maintain core finance responsibilities so that the actual expenses and all the other activities are not significantly deviating from the agreed plan with the BAT headquarters. Core finance activities includes payment disbursements of the vendors at the right time, engaging in savings initiative with all the leaf managers, managing petty cash expenses and supervise the settlement process with the treasury team. Moreover, these were the business as usual activities for my role. To make the business operations better, certain number of projects are launched in the company with a specific deadline. The role also asks to contribute in the relevant projects that requires Leaf Finance jurisdiction.

1.3 Internship Outcomes

1.3.1 Student's contribution to the company

As mentioned earlier, I successfully delivered the regular business as usual (BAU) activities to the reporting manager, along with significant contribution to some of the projects that were

implemented since my joining. The following lists some of the BAUs tasks I was entrusted with by the Operations Finance Team –

- Overhead Budget Planning for Leaf Growing and GLT Factory
- Reporting actual numbers to my line manager
- Taking Savings Initiative in all leaf activities
- Managing petty cash for Chittagong Leaf Team and supervising the settlement process
- Managing third party vendor inquiries and supervising their payments
- Supporting procurement team to enlist new vendors in the leaf locations
- Preparing business cases for CAPEX (capital expenditure) projects and assist line manager to analyze the future revenue and expenses from it
- Supporting the leaf managers with all operational financial transactions
- Ensure the SOx compliance in each and every financial transaction made under leaf operations

As for the projects, the Leaf National Overhead 2020 budget was the first project I was assigned by my reporting manager. As for the others, I contributed to Fixed asset reconciliation project which are prominently a project from Corporate Finance Internal audit which checks whether all the assets are in the right place as it is supposed to be. I also worked in Loss Analysis Project where the probable causes of the additional expenditures are analyzed in the presence of whole operations team and decisions on certain action plans are taken.

1.3.2 Benefits to the student

The **learning curve** in the role I am playing in BAT Bangladesh is high, high enough to be a challenging one to any fresh graduate. Not only finance, being a business partner, one also needs to adapt with the processes of the organization in order to make the most out of the numbers reported. Firstly, I understood how a company structures their supply-chain operations and the factors they have to keep in mind. The **supply-chain operations** of BAT Bangladesh is so huge that the company needs to enroll numerous third-party vendors to execute one or multiple steps of the entire operations. I got to experience the factors a company keep in mind while settling down into an agreement with a third-party vendor. BAT Bangladesh have numerous vendors supporting them for over decades here in Bangladesh.

Secondly, I was introduced to a whole new system **information management tools** via which records are maintained in the central system of the company. All the journals are digitally maintained in the system called SAP, where all sorts of financial transactions are reflected for a certain period of time frame. One just needs to understand how to analyze this pile of data sets in order to interpret certain scenario. There are other systems maintained by respective other departments as well reflecting their own specialized platform system of record keeping.

In addition, I was engaged working with different people from distinct departments and backgrounds. I got to experience how tough it is to actually manage people on the practical business operations. **People management** is a skill that comes with experience over the years and it is something that cannot be taught. I understood the necessity of team work during year end activities and how important it is to keep everything aligned with other people's progress. Moreover, through work experience, I learned the **corporate etiquettes** of the company as well. In the end, it is the overall team work that is reflected to the Finance Director from our Operations Finance Team.

Lastly, the brand loyalty of the consumers of BAT Bangladesh is so strong that the sales volume is kept on rising every year and that accounts for an immense workload environment. Struggled at first, however, had to adapt myself to the most challenging environment a corporate house can offer to a graduate student. It is not a one-way exchange; BAT makes sure that the additional effort from the employees are well rewarded with acknowledgements and benefits. That is why, BAT Bangladesh always drives their employees to **excel under pressure** and become a leader in their own respective roles and take over the mantle of future leadership team.

1.3.3 Recommendations

To the students who are interested to work as an intern/employee in BAT Bangladesh –

- **Engage in more and more business competitions** – Business competitions provide a platform to the students to test whether they can really implement what they are learning in the academics. Since business is a practical subject, without implementation a student will always lag behind in understanding the complexity the operations bring into the table.
- **Sharpen the Excel and PowerPoint Tools** – Most of the work the finance team execute depend on the Microsoft Excel and ERP platforms like SAP. One needs to be proficient in

Excel to deliver the work responsibilities within the time frame. Moreover, BAT Bangladesh has a culture that follows the global standards of reporting job responsibilities and this is where good PowerPoint skills comes handy. A good visual representation always catches the eye of the audience and make things a way lot easier for the presenter.

- **Data Analysis** – Although it is not a job description, however, an employee here always needs to deal with piles of datasets and interpret definitive conclusions out of them. It is not only about numbers, a manager at the end of the day needs to make strategic decisions from the datasets. Hence, I would strongly suggest the students to exercise more and more with large datasets both quantitatively and qualitatively.
- **People Management** – BAT Bangladesh is an organization whose operations almost covers the entire region of Bangladesh, which calls for numerous stakeholders from different culture and different backgrounds. Also, it is a multi-national organization and hence, it is required for an employee to be flexible with the communication skills to get the best service out of the stakeholders. Moreover, engagement with numerous departments also calls for team work and leadership calls. Hence, an individual need to have flexibility and adapt to the environment s/he will be working on.

There are many things to recommend a student to be better prepared for the corporate culture. However, I believe the mentioned four points alongside with good understanding of the theoretical concepts are sufficient enough to start their journey with ease at a company like BAT Bangladesh.

Chapter 02: Organization Part: Overview, Operations and a Strategic Audit

2.1 Introduction

The report titled “*The Influence of Corporate Governance on the Performance of the listed Multi-National Organizations in Bangladesh*” has been prepared to complete the academic requirement of the Bachelors of Business Administration (BBA) program at BRAC University. As a section of practical orientation to the corporate world, a student has to work for an organization for a brief period of time after the completion of all the theoretical courses. These few months of work prepare a student for more realistic business cases and also synchronizes the thought process of their academic knowledge with the practical business environment. This second chapter of the report will provide an overall assessment of the organization itself, its functional areas and a strategic analysis of their management structure.

2.1.1 Objectives

The primary objectives of this chapter are to provide the audience with an updated overview of BAT Bangladesh and their operations. This chapter will unfold the following –

- BAT Group and BAT Bangladesh
- Analyze the management practices, marketing practices, financial performance & accounting practices, operations management practices and information system practices of BAT Bangladesh
- Provide an industry and competitive analysis of BAT Bangladesh

2.1.2 Methodology

Due to confidentiality restriction, using any quantitative primary data of any means was discouraged from my line manager. Hence, most of the information mentioned in this chapter are acquired from annual reports and the company websites. However, the company does allow to disclose certain information regarding the operations to their interns for the report purpose. With the approval from my reporting managers, certain description regarding the infrastructure of the company are disclosed to provide the audience with a better overview.

2.1.3 Scope

Firstly, fresh graduates or interns willing to work in BAT Bangladesh will find an overview of the company itself and can make a more informed decision. The students will be informed about the general cultural practices of an MNC and can prepare themselves for the upcoming challenges. Secondly, the chapter will provide an updated overview of the company and that will help many academicians to prepare any business cases or any journal articles. Moreover, numerous local start-up companies of Bangladesh will have an idea how the successful MNCs operates their business with “good” governance in place within this geographic border. Local companies can therefore improve their own methods of operations making the start-up industries into a more efficient one.

2.1.4 Limitations

Confidentiality of the company information is the most prominent limitation of the report. Since it is an internship completion report, this chapter is solely based on one organization only. Then again, personal experiences and viewpoints were shared in some of the cases where conclusions were not supported by the project part of the report. Furthermore, the audience also needs to understand that there are internal challenges in BAT Bangladesh too. Just because it is one of the successful organizations in Bangladesh in terms of operations, does not imply that BAT Bangladesh is 100% efficient. The audience needs to keep that in mind and also research other companies in order to come into a conclusion of effective corporate practices. In other words, further research is required.

2.2 Organization Overview

2.2.1 British American Tobacco, BAT

Founded in 1902, BAT started their journey as a joint venture in between Imperial Tobacco Company from United Kingdom and the American Tobacco Company from United States of America. Being a pioneer in Tobacco industry beforehand, it took less than a decade to expand the territory to countries like India, Egypt, West Indies, Sweden and East Africa. The major mode of expansion to the greater market was mainly merger and acquisition for the company. In 1998, BAT became a separately quoted entity on the London Stock Exchange. As of 2019, BAT has been effectively operating in 200 markets worldwide, employing around 50,000 corporate workforces with 300 brands in the entire portfolio (BAT Bangladesh Annual Report, 2019). BAT excelled in

manufacturing cigarettes for over hundreds of years and in 2013, the group came up with their first e-cigarette, Vype – one of the next generation non-combustible products. The three other giants besides BAT are dominating the most market shares in the tobacco industry globally, namely Imperial Brands, Japan Tobacco International (JTI) and Philip Morris International.

2.2.2 BAT – Vision and Mission

Vision Statement – *“To be the world’s best at satisfying consumer moments in tobacco and beyond”* (BAT Group Annual Report, 2019).

The above vision statement has two parts to elaborate –

- Satisfying Consumer moments - First, the group believes on their capital and human resources which they believe will enable them to be the world’s best of the bests, in effect the group will have the ability to address the evolving concerns, needs and behaviors of the consumers.
- Tobacco and Beyond – it simply recognizes the strength and credibility the group have achieved over the years from the traditional combustible products. And through that reliability, comes the opportunity to introduce next generation non-combustible products and other new product categories – enhancing their own portfolio, providing more choices for consumers.

Mission Statement – *“Delivering on our commitments to society, while championing informed consumer choice”* (BAT Group Annual Report, 2019).

- Champion informed consumer choice – The group works to make sure that their adult consumers are aware of their own choices regarding the consumption of the tobacco products and the group continuously working to minimize the continuum of the risks through intensive research and development.
- Deliver our commitments to society – The group makes sure the consumers are getting the right product considering the scientific and technological advancements globally. Moreover, not only the employees, the group also commits to look over the agricultural communities in leaf-growing areas worldwide supporting the millions of their registered farmers.

2.2.3 BAT Bangladesh

In 1949, BAT established their first manufacturing factory in Fauzdarhat, Chittagong – registered under the name of Pakistan Tobacco Company, PTC. The increase in demand for combustible products resulted in the inauguration of the second factory of BAT, in 1965, here in Mohakhali, Dhaka – which remains still operational as of today. Although amendment was made to the name of PTC after liberation war, BAT Bangladesh was named in 1998 as per alignment with other Group companies of BAT around the world (BAT Bangladesh Annual Report, 2019). Under the leadership of the BAT Bangladesh Leadership Team, the company outperformed the expectations of the BAT Group Executives. As a result of their exceptional performance, BAT Bangladesh itself was announced a Direct Reporting Business Unit (DRBU) to the BAT Group.

2.2.4 BAT Bangladesh Leadership Team

BAT Bangladesh exercises one of the most prominent and effective leadership style in between the corporations, achieving them the brand value in the workforce as well. For the second time in a row, BAT Bangladesh was recognized as the “Top Employer” in 2019 by the Top Employer Institute for the exceptional standards in employee conditions. The changes came as a result of the strategic decisions made by the leadership members (LT members) of the organization. Each LT member has been entrusted with the leadership role of an entire wing of BAT Bangladesh.

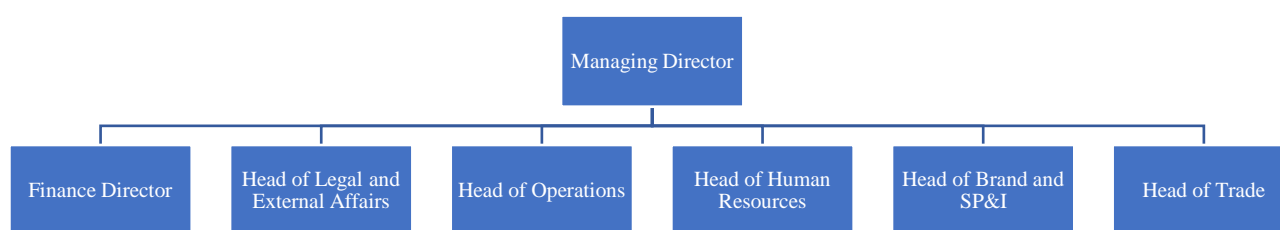


Figure 1. BAT Bangladesh Leadership Team Organogram

- Managing Director – The General Manager of BAT Bangladesh represent the entire Bangladesh operations to the BAT Group Executives in headquarters due to this market being a Direct Reporting Business Unit (DRBU).
- Finance Team – The finance team of BAT Bangladesh is comprised of three primary units, namely Corporate Finance, Marketing Finance and Operations Finance. Since I have the

experience working for this wing, I have provided a separate section on chapter 3- On the role experience.

- Legal and External Affairs (LEX) – Due to the controversial nature of the products, one of the most difficult challenges tobacco companies have to deal with is the compliance with the government rules and regulations and the LEX team has been bearing this massive burden for the company successfully over the years. Moreover, the increase in tax rates for cigarettes accounts for an increased operational activity of the illicit products in the market. The LEX team members have been working with the local police and special unit forces to track down the illicit products and their hideouts. *(Illicit products are products manufactured outside of registered companies with poor quality of tobacco, with some packaged with the same brand outer as of BAT or any other legal entities, accounting for great health risk factors. And most importantly, sale of illicit products does not earn any revenue to the local government – being harmful for the consumer, company brand image and the local government. As of 2019, BAT Bangladesh faced a heightened difficulty in managing illicit products and hence illicit products are considered as the unannounced competitor to the business).*
- Operations Team – The Operations Team of BAT Bangladesh have the greatest number of employees running the production operations 24X7. There are primarily two separate wings to the Operations Team, Manufacturing and Logistics. Under Manufacturing comes three other sub-functions - namely Leaf, Primary Manufacturing Department (PMD) and Secondary Manufacturing Department (SMD).
- Human Resources (HR) – The HR of BAT Bangladesh plays a pivotal role for retaining, attracting, recruiting, training and managing the employees. For the second consecutive time in a row, BAT Bangladesh was awarded the most prestigious Top Employer Award in 2019. From managing the unionized labor workforce in Dhaka factories to managing both the permanent and contractual corporate workforce, the HR team acts as a major support team in retaining and attracting talents from all over the country.
- Trade Marketing and Distribution (TM&D) and Brand & SP&I – In 2019, the marketing wing of BAT Bangladesh had a change in the leadership organogram. The Marketing Team has been divided in two separate major functions given the market requirement with more specific objectives to achieve than before.

The TM&D team is supposedly the second largest team ensuring the delivery of the finished products to each and every corner of the country. On the field, there are currently 80+ Territory Officers working day and night to ensure the supply of products through the local distributors. On the other hand, Brand & Strategic Planning & Insights (SP&I) operates directly from head office and looks after the individual brands separately, along with preparing the demand-supply plan syncing with the sales figure territory-wise.

- Other support functions – There are certain functions in BAT Bangladesh who does not have a separate wing of their own but working endlessly supporting more or less the each and every prominent function endlessly. Some of the support functions are Procurement, Logistics, Quality and Assurance, Business Development, Information and Technology (IT) and Environment, Health and Safety (EHS).

2.3 Management Practices

2.3.1 Guiding Principles of BAT Bangladesh

The established guiding principles of the group enables each and every employee of the organization to be ambitious on their goals to deliver a step-change in new categories, drive value growth while reaching objectives and simplify the way of work. In short, the organization thrives for a constant change, a learning culture and dedication to continuous improvement. Although the guiding principles might seem to be basic common sense to an individual, however, it is not. The company invests time and effort to derive these principles and makes sure they are implemented in regular practices.

The five guiding principles of BAT group for “A New Tomorrow” -

- **BOLD** – It refers that an employee here should dream with innovative ideas and make tough decisions quickly and stand accountable for the outcomes. And to beat any competitions, one has to be resilient and fearless. One should create leadership by example.
- **FAST** – One should have a clear direction and move fast. Results should be focused and adapt to the quick learning. And share the learnings along the way. Also, the company drive to keep up with the technology advancements both in factories and in corporate houses to create a user-friendly culture.

- **EMPOWERED** – It refers to effective teamwork, as well as challenging peers with logical arguments, committing collectively. It also means providing constructive feed back to the peers for development in their career path. Moreover, acknowledging one’s success within the team boosts one empowerment to drive the operations more effectively.
- **DIVERSE** – It means to value different perspectives and relying on other’s experience, knowledge and ideas in tough situations. Opening the field to accept ideas, without unconscious biasness. It also means to train and nurture employees on a rotational basis for their career development.
- **RESPONSIBLE** – It means to take lead and take action for all consequences. It also means to reduce health impacts of the businesses and provide the best quality products to the consumers. Alongside them, ensuring a safe and respectful environment for the employees and delivering the best results for the shareholders. It also means to give back the society what they entrusted to us through CSR programs.

(BAT Bangladesh Annual Report, 2019)

2.3.2 Corporate Social Responsibility (CSR) of BAT Bangladesh

The focus of BAT Bangladesh in their CSR activity is synchronized with the culture of the company itself, where the company is committed to create long-term stakeholder value to their society. As of now, there are three major CSR initiatives from BAT Bangladesh, which are administered by their LEX team.

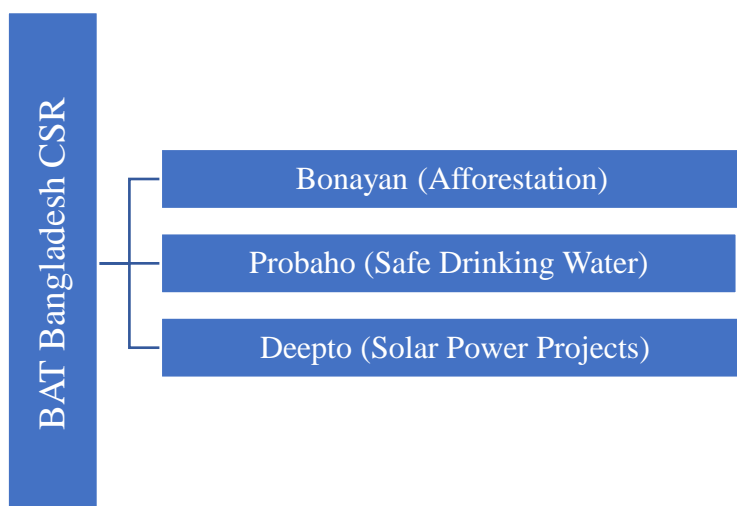


Figure 2. BAT Bangladesh CSR Projects

- Bonayan (Afforestation) – Being a flagship CSR project of BAT Bangladesh, Bonayan earned the company both national and international recognitions in the agricultural sector. Each and every year, BAT Bangladesh provide samplings to the local government authority in Kushtia and Chittagong regions, in collaboration with the National Forest Department. In 2019, the company distributed 105 million free samplings across the country, making the project the largest private sector driven afforestation drive in Bangladesh. The Leaf Operations team monitor all the operations of Bonayan from the field level and ensures the correct distribution of the samplings as per the plan (BAT Bangladesh Annual Report, 2019).
- Probaho (Safe Drinking Water) – This project of BAT Bangladesh is addressing the shortage of supply of safe drinking water in the arsenic-prone rural regions. As of today, the project already has 87 filtration set-ups all around Bangladesh providing arsenic-free safe drinking water refining around 450,000 litre of drinking water, roughly meeting the demand of 220,000 individual every day. In 2018, Probaho earned BAT Bangladesh the eminent “Bangladesh Innovation Award” from the Brand Forum in the SDG inclusion category (BAT Bangladesh Annual Report, 2019).
- Deepto (Solar Home Systems) – The project was launched in 2011 by BAT Bangladesh with the vision of bringing electricity to the lives of people living in the off-grid locations like Chittagong Hill Tracts. As of today, the project meets the demand for electricity of 13,000 people living in Banderban, Khagrachari and Rangamati with 260 set-ups (BAT Bangladesh Annual Report, 2019).
- Other Activities – Although the above listed projects are prominent when BAT Bangladesh envisions their CSR with the society, there are a few the company do in order to mutually benefit the both society and themselves. The renowned Battle of Minds competitions and Xcelerate Internship Program which both identifies potential talent pool from the universities., making it easier for the fresh graduates to land into a job after their graduation to some extent. Both the projects are overlooked by the HR Team of BAT Bangladesh.

2.4 Marketing Practices

2.4.1 Brands of BAT Bangladesh

Although there are hundreds of brands licensed currently under BAT Group, BAT Bangladesh kept their portfolio constraint to a few brands and focused more on sales. More the sales of the sticks, more the revenue. BAT Bangladesh segmented their portfolio into four categories based on the consumer experience rating and the market price of a single cigarette stick. Also, the socio-economic income level of the target market is also considered while segmenting the market into four categories.

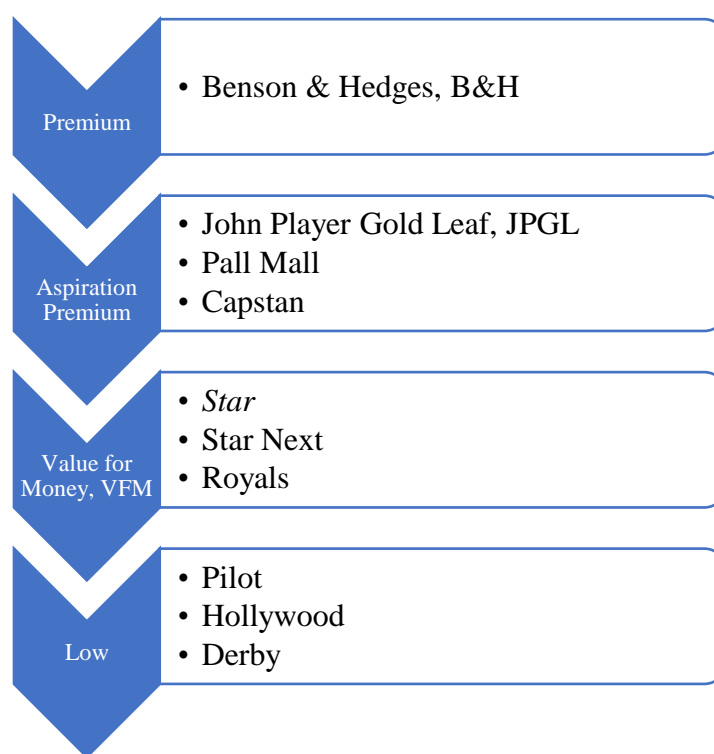


Figure 3. BAT Bangladesh Market Segment and Brands

The premium and aspiration premium segment is more focused on providing the elite experience of the tobacco, while the VFM and the Low segment acts as the cash cow for the company, enabling all the target market to experience what BAT Bangladesh have to offer from their global portfolio. The experience differs along the segment due to difference in tobacco blend and the leaf processing method. The premium products also come with an attractive outer package to provide the consumer the whole set of experience within the money spent. Star was a huge success to BAT

Bangladesh's portfolio and hence to provide a better experience Star was replaced as Royals in 2019 and as of today, Royals was even a huge success than Star.

2.4.2 General Marketing Practices

The tobacco industry is highly regulated with numerous restrictions in Bangladesh, prominently taxations and marketing. Any sort of one-to-many promotions of tobacco products are strictly banned in Bangladesh. Hence, common mode of promotions like television and newspaper advertisements, billboards are not allowed in this country. However, tobacco companies researched and figure out ways to reach their customers. BAT Bangladesh believes that is it about winning the brand loyalty of a customer is the key to retain the market share of a certain brand. Consumers portrays their loyalty to the brands, not the company name. Hence, it is vital to ensure the market share of the brands in each and every territory of the country.

Typically, the store selling cigarettes can only display the brands they have for sell through a transparent board. Moreover, one-to-one communication for direct selling is allowed only with the consent of the target consumer. This is how typically the new products are promoted into the greater target market. However, tobacco companies adapt to experiential promotion these days to grab large number of their target market. It is a tactic adapted by BAT as well – a tactic of encouraging consumers to experience or interact with a brand at recreational venues and events, such as smoking lounges of bars and clubs. Although this approach is a pretty new concept to our market, consumers are accepting this mode of promotion very fast and other competitors have begun to initiate such modes as well.

2.5 Financial Performance & Accounting Practices

2.5.1 BAT Bangladesh Finance Team

BAT Bangladesh have an effective Finance Team supporting the entire operations to the organization, with the believe that each and every employee have been working with the mindset of “NextGenFinance”, which simply means “Next Generation Finance Team”. For the ease of reporting structure, the team has been divided into three sub-units, namely Corporate Finance, Operations Finance and Marketing Finance. Corporate Finance Team acting as the direct reporting unit to the Finance Director of the company, whereas Operations Finance and Marketing Finance plays the role Business Partners to the respective Operations and Marketing Team.

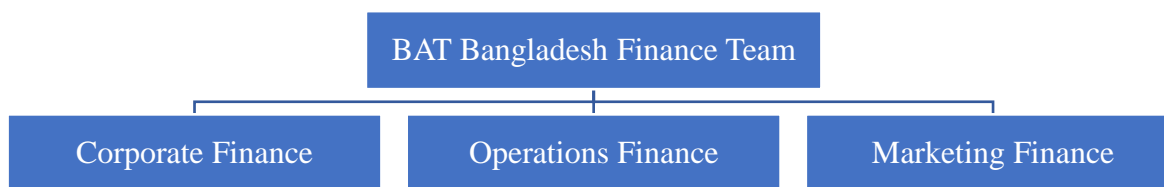


Figure 4. BAT Bangladesh Finance Team

Each of the sub-units of BAT Bangladesh Finance is led by one Finance Controller looking after the employees and business operations. Each of them reports back to the Finance Director, and the four of them together makes up the BAT Bangladesh Finance Leadership Team, simply FLT members. Being a manufacturing organization producing huge volume of finished goods each and every single day, the company demands for a specialized unit to work with the Operations Team, that is the “Ops Finance Team”, ensuring the reporting numbers, operations compliance and the financing so that 24X7 production is not hampered. Moreover, Marketing Finance looks after both the Trade Marketing and Distribution (TM&D) Team and Brand & SP&I Team.

2.5.2 BAT Bangladesh Finance Organogram

Generally, a fresh graduate from university is eligible to join as a Finance Officer and a Finance Analyst in the BAT Bangladesh Finance Team. With the experience earned over the years, the performance the candidate has showed and with a finance professional degree, the candidate is open to the scope of being the Head of Finance in this organization. A fresh graduate can join as a finance officer or as a finance analyst in any of the three wings of finance team. Or a fresh graduate can also join as a management trainee (global graduate program) in finance depending on the vacancy and the performance in the hiring process.



Figure 5. Potential Career Path for a Finance Professional in BAT Bangladesh

2.5.3 BAT Bangladesh Operations Finance Team

The Operations Finance sub-unit of BAT Bangladesh Finance is further categorized into three, looking after the three separate prospects of the organization. Firstly, there are Manufacturing Finance, whom look after the Dhaka factory finance of the company. There are two factories of located along with the head office in Dhaka, namely Primary Manufacturing Department (PMD) and Secondary Manufacturing Department (SMD). Manufacturing Finance Team looks after the both PMD and SMD.

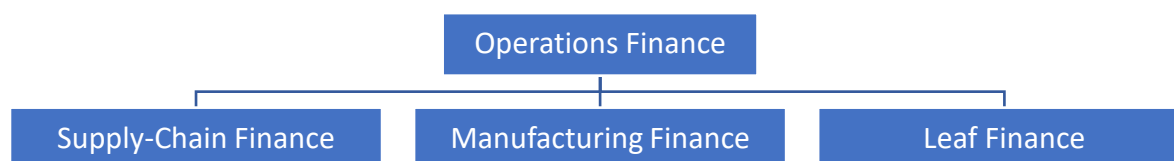


Figure 6. BAT Bangladesh Operations Finance Structure

Next comes the Leaf Finance Team supporting the Leaf Operation activities in the regions outside the head office. “Seed to Smoke” is the mantra BAT Bangladesh believes in when it comes to delivering the overall experience to the consumer and other stakeholders and it is where Leaf finance tags along with the flow. Moreover, it is also the responsibility to look after the Finance of Green-Leaf Threshing Plant (GLT) located in Kushtia. It is where the green leaf is being threshed and are processed to make them dry as possible before further process in PMD in Dhaka factory. Finally, Supply-Chain finance is the reporting unit of the Operations Finance Team. Supply-Chain Finance makes sure all the numbers are following the plan communicated beforehand, resolves any compliance issues and works with the greater Finance Team to communicate any updates/actions that needed to be taken urgently.

2.5.4 Finance Practices

Just as any other listed firms, BAT Bangladesh prepares quarter-wise financial statements along with the comprehensive annual report at the end of an accounting period. Moreover, there are numerous tasks involved in the month closing week as well. The actual numbers have to match the plans submitted beforehand. For any variances, comments need to provide to the unit heads (Finance Controller) of the finance department for reporting purpose to the Finance Director.

The company begins the operational year with the accounted target, expenses, sales numbers, investments and other financial forecasts which are already prepared beforehand. Month closing activities are carried at the very first working day of the following month; it also serves as a control purpose for the sub units of finance. Moreover, periodic adjustments are made to the forecast figures depending on the month end reports. Regular internal audit procedures are conducted by Compliance Manager to check whether the rules and regulations are adhered to the process. External auditors like KPMG validates the operational system of the company and authenticates the numbers sub units reports to corporate finance.

2.6 Operations Management and Information System Practices

2.6.1 Operations Management Practices

Being a manufacturing company, the operations team of BAT Bangladesh is the largest one in terms of human capital. The hierarchy chart below displays the entire BAT Bangladesh Operations Team. The primary units of the team are maintaining the three factories and running leaf operations in the regions. The support functions are the Procurement, Quality and Assurance and Environment and Safety whom tags along with each of the prominent sub-units of the operations team and makes sure of the smooth operations process.

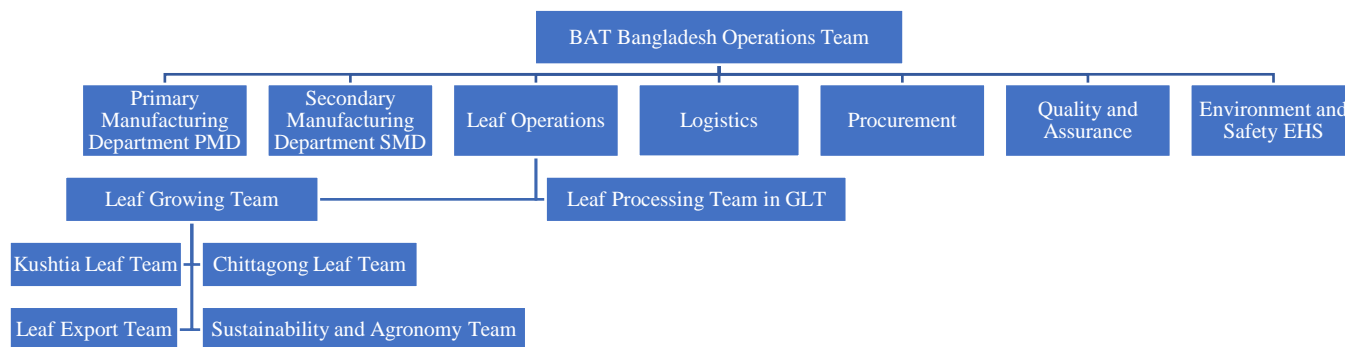


Figure 7. BAT Bangladesh Leaf Operations Team

Since I am engaged side-by-side with the Leaf Operation Team along with the Leaf Finance, I will dig down more regarding the teams and their practices I have worked with. Leaf operations team have been playing a vital role in the successful operations of the BAT Bangladesh over the years. It is simply the point where the business initiates the journey of production. Leaf operations have been successfully dealing with the 38,000 registered farmers in the village community (BAT

Bangladesh Annual Report, 2019). Also, there are greater leaf team working in the factory called GLT where the green leaf is processed. Growing Team and Processing team together ensures the correct supply of the processed leaf to the PMD in Dhaka factory.

As mentioned earlier, there are five separate wings of Leaf Operations itself –

- Kushtia Leaf Growing Team
- Chittagong Leaf Growing Team
- Leaf Export Team
- Leaf Sustainability and Agronomy Team
- GLT Processing Team

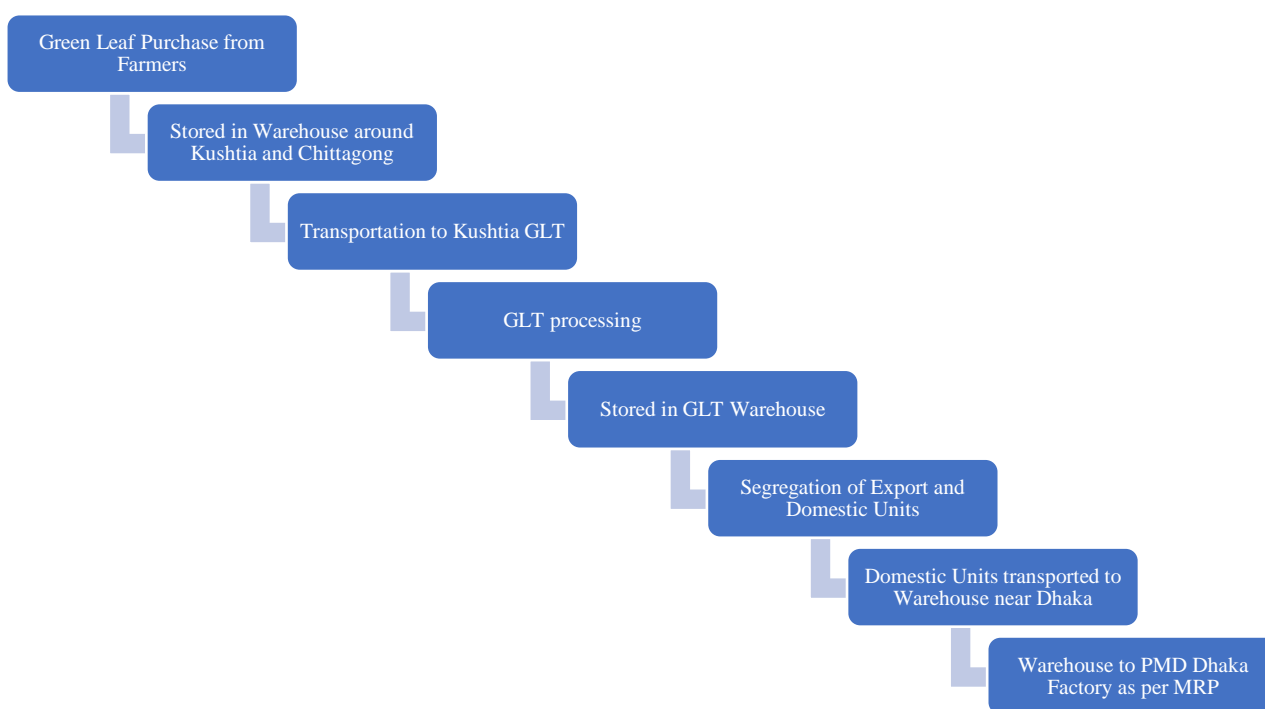


Figure 8. Leaf Supply-Chain Flow of BAT Bangladesh

Since the finances of all the five sub-units of Leaf Team falls under the jurisdiction of Leaf Finance, my scope of work was not restricted to Chittagong region only. During my first three months, I was stationed in GLT factory as an attachment to learn more about the factory itself and the Kushtia Leaf Operations as well. The learning scope of the role I performed was immense, starting from the field where tobacco leaves are cultivated, I managed to learn the entire supply-

chain process of the Leaf Operations. In fact, I was entrusted with the actual finance budget 2020 plan of the Leaf Team by my line manager.

The logistics team ensure the transportation of the leaf as per the Material Resource Planning (MRP) at the right time. Logistics also decides which warehouse to use for each particular shipment, for both leaf and finished products. Quality and Assurance team inspects each and every batch of processed products before they are made out for shipments. Moreover, there are two other sub-units of leaf working side-by-side bringing in all the glory for the team. Firstly, Leaf export team- they achieved highest ever leaf export for BAT Bangladesh in 2019, monetary worth of USD 44.50 million (BAT Bangladesh Annual Report, 2019). On the other hand, Sustainability and Agronomy team works with the local stakeholders residing around the village where leaf is being cultivated and provide any administrative support required by the farmers. Also, the team invests into potential research option where new process of cultivation is looked into for future gain for both the farmers and the company.

2.6.2 Information System Practices

Intellectual capitals are re-asses each and every year to provide the company with the best technology and shared services as possible. In BAT Bangladesh, Intellectual assets refers to knowledge-based assets such as process blueprints, procedures, protocols, copyrights, software and licenses. Along with the security of the systems, BAT Bangladesh IDT Team monitors the process efficiency of the system. The team also conducts several training sessions to any newly introduced system package in the company to the managers. Moreover, the IDT also makes sure that the system or application is globally suited for BAT Group rather than only BAT Bangladesh. Hence the company utilizes ERP (enterprise resource planning) to capture real time transactional data to enable effective monitoring, management, reporting and control. We, in finance, mostly utilizes the SAP ERP along with the BPC reporting panels to monitor real-time transactions. Each department is equipped with an exclusive ERP of their own, implied globally.

Along with the ERP systems in place, BAT Bangladesh makes sure that each and every employee have a laptop with them so that remote work is possible. The laptops are equipped with updated software and OS and multi-layer protection system which can be only accessed by the user him/herself. The software are set up in such a way that the updated versions will be automatically downloaded without hampering the work of the employee.

All the formal communications are conducted on licensed version of Microsoft outlook within the company's domain. Digital meetings are conducted on Microsoft teams as well. The IDT also provides each and every employee with a free organizational access to LinkedIn Learning where anyone can sharpen up their academic basics or learn a corporate hack to make their reporting much more efficient. In short, the IDT team always working to make the life of the people working here a bit easier than yesterday.

2.7 Industry and Competitive Analysis of BAT Bangladesh

2.7.1 PESTLE Analysis (Industry Analysis)

PESTLE analysis is framework to analyze the external key factors influencing an organization. Through PESTLE analysis, an internal manager knows what external factors to consider when making a strategy for business operations.

- **Political Factors –**

Over the years, the government have been increasing the taxes imposed on tobacco products with the objective of reducing tobacco consumption by the consumers. However, such price control was back-fired with the price-pressured consumers shifting to illicit tobacco products. This caused loss in national revenue earned as well, which in otherwise could have been used for infrastructure development and public welfare.

- **Economic Factors –**

Although the GDP growth rates of Bangladesh was even greater than even those of India and China, all the industries did not reflect such accelerated growth resulting into an unstable socio-economic environment within the country. Despite the UN's call of declaring the country into a middle-income nation, the policies imposed did not revised to support this accelerate transition. It is imperative for a tobacco industry to have a stable environment which considers all it's stakeholders (third party vendors and distributors). Hence, the industry regulations should be constructive and evidence based.

- **Social Factors -**

BAT Bangladesh is recognized as a responsible corporation in the country with active engagements in the socio-economic welfare through their three flagship CSR programs – Probaho, Deepto and Bonayon. Moreover, the company also let know their consumers

about the health hazardousness on packets and prohibition of smoking in public places. The company cares for its society also by creating business investment opportunities and better social facilities for all stakeholders.

- **Technological Factors -**

Consumers expectations are altering due to rapid technological innovation in terms of product, quality and availability. Investments in R&D have been prioritizing more to satisfy the demands from the new consumers and ensure sustainability of existing consumers. Moreover, BAT Bangladesh also working with the Bangladesh Agriculture University to promote new cultivation methods that replenish soil by using organic substance for better fertility structure as well as environmental benefits.

- **Legal Factors –**

BAT Bangladesh ensures full compliance with all the government regulations as a responsible organization. Labor protective rights are maintained and monitored strictly in the factories by Factory HR managers. Moreover, factors such as health and safety are monitored by EHS team. Advertising standards, consumer rights and laws, product labelling and product safety are stringently monitored by the company itself being a requirement from the government. Moreover, intellectual capitals are protected via copyrights and digital data protection is ensured to be strong by the IDT team.

- **Environment Factors –**

BAT Bangladesh already achieved their goal 98% of wastes recycles in Dhaka Factory. The company is looking forward to their next target to recycle their water wastages at 100% by 2022. Waste management are monitored and controlled by EHS Team. Apart from waste managements, BAT Bangladesh is committed to meet the standards of the Paris accord to climate change and fosters policies that supports environmental management, focusing on sustained investments.

2.7.2 SWOT Analysis

The core purpose of the SWOT matrix is to identify the strategies that a company can exploit the external opportunities, counter threats and build on its strengths and protect itself from weaknesses.

Strengths – The strengths of BAT Bangladesh not only help to protect their market share; it also helps to penetrate new markets as well.

- Strong and Diverse Brand Portfolio – BAT Bangladesh have wide range of product portfolio designed depending on the consumer needs and affordability. There are four separate market segment each targeted to specific market consumers. Moreover, the segmentation of the market helps the company in expansion of a new product specifically targeted for a particular segment.
- Over 50,000 registered farmers – This is one of the unique strengths of BAT Bangladesh Leaf Team. Very few tobacco companies throughout the global market have achieved to enlist such large numbers of farmers as registered under the company trademark. These farmers maintain their loyalty to the company and works to improve and deliver quality tobacco leaf.
- Reliable third-party vendors – BAT Bangladesh happens to have the one of the most complex and enormous operations distributions in the entire country. The successful operations are maintained through thousands of third-party stakeholders working behind the scenes to ensure a certain responsibility. For instance, transportation of leaf and finished goods are carried out by a third-party carrying vendors, security of the entire company is handled by a security agency etc. Most of the third-party vendors are working with BAT Bangladesh for over several decades and this earned the both parties a mutual trustworthiness in business operations.
- Strong distribution network – As same as the third-party vendors, almost all the distributors of finished goods have a very old and strong trade agreements with BAT Bangladesh. Territory Officers and Area Managers work alongside the distributors to ensure that all the brands are within the grasp of the consumer in each and every corner of the country.
- Strong Brand Loyalty by the consumers – The company has been working for several decades to deliver the best experience a brand can offer to a consumer and that won the company the brand equity of consumers. Research shows, BAT Bangladesh consumers are not very fond of switching from brands to brands. Hence, the brand managers ensure that the consumer satisfaction is always at its peak.

Weaknesses –

Weaknesses are the places where the company can improve themselves through strategies and build on their competitive advantage and positioning.

- Not keeping up with global product portfolio – Although BAT Bangladesh have wide range of cigarette brands, the company is yet to introduce any e-cigarettes into the market. While the local market demand keeps on increasing for the e-cigarettes, BAT Bangladesh is not being able to offer them. And this makes the company to lose certain market shares as some existing and potential consumers are shifting to imported e-cigarette products.
- High Employee Turnover – BAT Bangladesh have one of the most challenging work environment culture in entire Bangladesh. Although challenging environment prepares an employee better for unforeseen circumstances, most of the graduates fails to keep up with the work pressure and in effect, shows impact on their performances. On the base-tier level, BAT Bangladesh have very high employee turnover rate. In short, not all the candidates are able to adapt themselves to the work culture here in this company.

Opportunities –

Opportunities are external strategic factors which a company might drive into and convert them into their own internal strengths.

- Cigarettes exclusively for female consumers – Research suggests, an increasing number of tobacco product consumers are females in this market. Whereas, BAT Bangladesh are yet to consider the gender factor in their market demand consideration. I believe a new brand offering particularly for female will enlarge the market share, as well as, it will be a significant factor to consider in making forecast assumption for sales figures.
- Smokeless tobacco products – Although smokeless tobacco products are introduced in several markets of BAT group, BAT Bangladesh are yet to introduce such products in this market. This is an opportunity for the company to introduce a new brand offering where the market knows little about the product itself. I believe through experiential marketing; it is possible to grab a certain market share for this particular product.
- Increase experiential marketing – Pilot projects of experiential marketing are showing positive results to the marketing team. The company should focus more into that mode of promotion and introduce e-cigarettes as soon as possible.

Threats -

Threats refers to external factors that might affect the business negatively and a company does not have control over those factors.

- **Illicit products** – Illicit products are counterfeit cigarettes sold in the market with the brand names of BAT Bangladesh. The company have seen a large increase in illicit products in 2019 in Bangladesh. The company is working with the law enforcement agencies to minimize their operations. Illicit products are very harmful for the consumers as well since the manufacturing procedures did not follow any measurements from health institutions. Being duty free, illicit products causes the government to lose valuable taxes as well.
- **Japan Tobacco International (JTI)** – BAT Bangladesh is upholding the majority of market shares of the tobacco industry in Bangladesh. Although the exit of Phillip Morris from the market gave BAT Bangladesh a competitive advantage on numbers, however, both illicit products and JTI seems to be absorbing certain market shares from BAT Bangladesh. Although the company was successful to fight off both the illicit and JTI with the launch of a new brand “Royals”, we as an employee, are looking forward to this year’s challenges from the competitors’ end.
- **Anti-Tobacco Activists** – Very recently, there are numerous anti-tobacco activists showing up acting independently in the market. The activists generally targeting the youth of the country through interfering in BAT Bangladesh seminars and events. There were numerous reports last year that the activists made some universities to refrain from their students to take participation in the renowned business competition in Bangladesh, Battle of Minds.

BAT Bangladesh is very observant of their market condition when it comes to monitoring their threats and identifying their own weaknesses. Despite the shortfalls, the company is very successful to drive successfully their own believe into the business operations.

2.7.3 Porter’s Five Forces (Competitive Analysis)

Porter’s Five Forces Framework is a strategic management tool to analyze the industry where the company is operating and understand the underlying levers of profitability analyzing the present competitions. Large corporations like BAT Bangladesh cannot only use Porter’s framework to

develop a strategic position but also have to explore other frameworks as well to figure out the proper response strategy.

- **Bargaining Power of Buyers – LOW**

The smaller and more powerful the consumer base is, higher the bargaining power of consumers. Fortunately, BAT Bangladesh have a broad base of consumers and it is still rising; providing an opportunity to the firm to streamline their sales and manufacturing processes. Moreover, the company rapidly innovates new brands and take action in each of the market segments depending on the market scenario. New brands also refrain the consumers to switch in between competitor brands.

- **Bargaining Power of Suppliers – LOW**

In the contrast of BAT Bangladesh, suppliers refer to the registered farmers and the third-party vendors associated in the operations. As previously mentioned, most of the vendors and farmers are trustworthy since the trade has been going on for over several decades. The number of suppliers and vendors are so large that the competitive advantage will always be in favor of BAT Bangladesh right at the moment.

- **Rivalry among Existing Competitions – MODERATE to LOW**

The duties imposed on the tobacco products by the government is negatively trading off with the consumers shifting to illicit products, where the government itself is losing national revenue. This spike of illicit product consumption has made their activists to manufacture more and more products in the name of renowned brands. Not only BAT Bangladesh, illicit products are affecting companies like JTI too. At the moment, BAT Bangladesh recognizes the illicit products as the strongest rival in their market shares.

- **Threat of New Entrants – LOW**

Being a highly regulated industry, it is not easy for a local company to initiate businesses in tobacco industry. Only the established tobacco firms globally have the ability to enter into Bangladesh with their heavy investments, just as the JTI did by acquiring Dhaka Tobacco completely. Government have strict restrictions for the new entrants from outside and it does indeed require heavy financial capital.

- **Threat of Substitute Products – LOW**

Demand for substitute tobacco products like e-cigarettes, smokeless tobacco products etc. does indeed begin to occupy to certain number of market shares. Manufacturing such

products requires a whole new set of factories and plants which requires fresh investments. Planning managers believes that the demand is not large enough for the companies to drive into such high investments into manufacturing them within the country. However, planning managers are continuously driving the market situation and said that the company will take necessary steps once it believes that the market share have reached a significant amount to go for manufacturing.

2.8 Summary & Conclusion

The multinational companies (MNCs) in Bangladesh retains a significant dominance over the locals in each and every industry. Some of them even established their dominance since the British rule here during the 19th century. Beginning from manufacturing, pharmaceuticals, banking and telecommunication sectors, each and every industry is led by one or multiple renowned MNCs from around the world. BAT Bangladesh is just one of the companies in the MNC industry who have been successful in operating businesses with responsibility and accountability. The macroeconomic and competitive frameworks show that despite challenges and threats, the company went back on track with vigilance and responsive actions. My work experience in BAT Bangladesh is really grooming me up for the future endeavors on which I look forward to.

2.9 Recommendations for BAT Bangladesh

Regardless of how well a company is performing, there are always a scope of improvement where the company should focus more on.

- **Maintaining work hours** – BAT Bangladesh is well known for its immense work pressure. 9-5 office hours is not possible to maintain due to immense load of job responsibilities. It has been a major issue not only to BAT Bangladesh, but also to other MNCs as well for a long time. In order to come into a solution, all the MNCs should jointly come together and share the possible scope of solutions. They should also consult with the greater team present in the headquarters as well.
- **Inequality in benefits between contractual and permanent employees** – Although the company achieved several employment awards, there are a significant number of contractual employees serving the company for years. There are a wide and clear discrepancy in the remuneration policies in between two types of employees irrespective

of job responsibilities. Some contractual employees are hired as permanent depending on the nature of performance, but it is not a permanent solution to all the dissatisfaction created due to this inequality.

- **Social Responsibilities** – Besides CSR, the company needs to explore more on more on how they can repay the society back. Some argue that the company intensively take part in the job recruitment fairs. However, the participation is restricted to some of the universities only. The company need to widen their horizon when they are down in the field working for the community.
- **Dissolution of Unionized Labor Force** – BAT Bangladesh have a unique culture where there exists a labor union within the company itself. Most of these unionized employees have been working in the Dhaka factory for over 20-30 years, having significant influence on the greater labor force. Although factory HR is very active to monitor the activities of the union, but it does create an additional pressure to the management of the company. Sometimes these employees make insignificant demands despite of a healthy pay scale and benefits. Moreover, some labor force is past their retirement age as well. I think the company needs to redefine the factory culture and recruit more young labor force creating more opportunities to the skilled youth benefiting both the company and the society.

Chapter 03: Project Part

3.1 Introduction

The news media these days often comes up with the success stories of numerous MNCs of Bangladesh, sharing their stories relating to the contribution to the GDP growth of the country, creating thousands of employment opportunities and providing world-class quality products and services to the local people. In other words, most of the companies are delivering what they were expected to and in return, these companies created their own market value in this competitive and complex business environment of Bangladesh. The stories these companies created often drive me to work along with them. Since, I now have prior work experience in one of them, I can scrutinize their governance structure better and figure out any relationship they have with their success stories.

3.1.1 Corporate Governance – Background

There are numerous definitions of corporate governance came from numerous scholars as they researched various case studies in the last several decades. These definitions came because of the scope of areas corporate governance itself can define in the business. Irrespective of several area of importance, scholars seem to agree on two general categories of definitions. Firstly, it is the viewpoint of the behavior of corporations, for instance, variables like efficiency, performance, growth, equity structure, stakeholder treatment etc. In short, the first definition answers “how the organization is doing?” Alternatively, the second definition cross-checks whether the company operates within the recommended framework structure, i.e. the rules and regulations the corporation must abide to have a strong governance structure (Claessens & Yurtoglu, 2012). However, most of the articles defined corporate governance in the framework category. According to Investopedia, “*corporate governance is defined as the system of rules, practices and processes by which a firm is directed and controlled, protecting the interests of their stakeholders and taking accountability of every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure*”. The definition of Investopedia connected both the definitions which most scholars agreed upon.

A strong corporate governance framework benefits an organization by lowering cost of capital, greater access to financing, better efficiency and friendlier treatment by all stakeholders (Claessens

& Yurtoglu, 2012). However, several authors found evidence that corporate governance structure of the industries might somewhat depend on the country's overall governance system. Corporations located in countries with a more developed legal framework displays better firm performance during a financial crisis (Essen et al., 2012). Hence, most scholars consider corporate governance framework to be influenced by both national and sectoral institutions (Gugler, Mueller & Yurtoglu, 2004).

An organization should always come up with their own risk model and continue to monitor it despite their performance factor (Kirkpatrick, 2009). However, in reality most of the risk factors of numerous organizations failed due to lack of attention in their technical assumptions. For instance, organizations in some emerging countries are focusing intensively on factors like internal control and financial reporting structure abiding the Sarbanes Oxley (SOx) control and relying on external private agencies and government to mitigate the external risk factors. Kirkpatrick (2009) argues that internal risk controls should be kept side-by-side with external risk control to create a stronger defense against risk hazards.

Investors all around the world have been voted for strong internal corporate governance measures, which in effect helps improving the stock market liquidity, making the exit less costly (Coffee, 1991). High stock market liquidity discourages monitoring by the large shareholder to a greater extent, giving the scope to the shareholders to trade on insider information (Maug & Bhidé, 2002). However, Misangyi and Achaya (2012) found that companies make higher profits when both internal and external monitoring are maintained, irrespective of liquidity state. Executive board structure, board independence and audit committee structure are the three most important indicators of a good governance that the shareholders should keep an eye on besides company performance (Akhter & Alam, 2017). However, corporations might adopt a slightly different framework depending on the complexity of their own operations and the government restrictions.

The Organization of Economic Cooperation and Development (OECD) forum, where the government of 36 countries are registered, agreed upon the six principles upon which the legal and regulatory corporate governance framework would be practiced. In summary, the principles talked about the basis of governance framework, right of shareholders, fair treatments, role of both the company and shareholders, disclosures and the responsibility of the executive board (Chen et al., 2010). According to OECD, a good corporate governance practice includes an active board of

directors, separation of CEO and chairperson, outside directors as a majority and an active audit committee. Although, these frameworks of OECD were made looking at the developed nations, after a decade later, these guidelines seem to have a positive impact on the corporate governance structure in the developing nations too (Munisi & Randoy, 2013). Hence, the most widely common perception in the corporate world nowadays, good governance practices enhances company performance (Klapper & Love, 2004).

3.1.2 Corporate Governance – Publicly listed MNCs in Bangladesh

In comparison to the neighboring countries, Bangladesh have grown the most in considering corporate governance practices in their organizations (Ullah et al., 2017). Bangladesh Securities and Exchange Commission (BSEC), the regulatory authority introduced a corporate governance guideline on “comply or explain” basis to protect the interest of the shareholders (Rahman & Khatun, 2017). Following the BSEC guideline, all the publicly listed MNCs have to provide a separate section of corporate governance compliance checklist in addition to the corporate governance status report for that accounting period.

As mentioned earlier, publicly listed MNCs are adopting the “good governance” culture better in comparison to the publicly listed local corporations. At first, motivation to improve governance and disclose information felt negatively by most of the companies since most of the senior managers were not sure about what to disclose and what not to (Ullah et al, 2017). MNCs being operating in more challenging environment with global shareholders and stakeholder groups drive them to be more disclosure and transparent for major strategic decisions (Freeman & Reed, 1983). Hence, MNCs were the one to step up and adopt themselves to this new “good governance” guidelines.

Moreover, being publicly listed on multiple stock exchanges globally and locally, the demand for disclosure and good governance became more crucial for the corporations. MNCs governance became more and more complex gradually because they had to maintain both the local and global guidelines. Being independently listed on host country exchanges subject the corporation to more institutional constraints. For instance, an MNC with their operations both in Europe and North America have to comply both with Anglo-American and Relational-insider governance mechanisms simultaneously (Shleifer & Vishny, 2000).

Thirdly, generally MNCs maintains multiple executive board members at different levels or in different countries unlike the domestic corporations. Theoretically, it is this multi-tier executive board collectively builds up the corporate governance structure of an MNC. However, this multi-tier structure invites more complex and scattered principles that the corporation have to abide by. Moreover, unlike the developed nations, independent board members, financial analysts, credit rating agencies and press media have very little influence in monitoring the governance of the firm management (Rashid, 2010). Since a very few journal articles explored the corporate governance environment of publicly listed MNCs of Bangladesh, this research paper will help to fill the gaps of the MNC spectrum to some extent.

3.1.3 Objectives of the Project

The primary objective of this paper is to figure out whether the performance of the MNCs in Bangladesh are influenced by the governance structure over the years. Moreover, the study will also analyze –

- The current scenario of the MNCs in Bangladesh
- An Overview of BAT Bangladesh Operations
- Corporate Governance Mechanisms practiced by the firms in Bangladesh
- Corporate Governance influence in the MNCs here in Bangladesh (OLS Regression)
- Sharing my on-the-role experience in BAT Bangladesh

3.1.4 Significance of the Project

This paper is mainly focused on the MNCs in Bangladesh and the governance structure they practice within the executive board members. This opens a wide scope of the study to both the academic and corporate professionals. The study can be used to analyze the present scenario of the MNCs in Bangladesh up-to-date and how this emerging market is being a favorable host to these organizations. The study can also be used to redefine the benchmark of the corporate governance structure by the local administration. Also, the MNCs themselves can have a look on what their image is to the external stakeholders and can take action to strengthen their governance structure and take definitive strategic decisions. Since this paper has been prepared to serve as an internship requirement, any to-be-graduate student can have a look to get an idea regarding MNCs and specifically about BAT Bangladesh, before s/he chooses a preferable organization to work with.

Moreover, there are very few research papers that solely focused on the governance structure of the MNCs in an emerging economy. The paper will significantly widen both the breadth and the depth of “good” governance practices here in Bangladesh.

3.2 Hypotheses Development

There are many variables through which corporate governance status can be measured quantitatively and figure out the relation with the performance of a corporation. According to Akhter & Alam (2017), structure of executive board of directors, independent directors’ ratio and audit committee members plays a vital role while determining the governance structure of an organization. Hence, for this research purpose, along with these variables, insider ownership, institutional ownership and government ownership are also considered to make the model stronger. As control variables, firm size, their relative growth and weighted cost of capital is considered to provide the study a comparative base. Before regression analysis, numerous literatures of journal articles have reviewed in order to come up with a hypothesis statement for each of the variables. These hypotheses will be then compared with the results from regression. It is important to note that in order to hypothesize general statements, the research was not exclusively restricted to governance structure of MNCs as there were very few prior researches conducted regarding the topic.

3.2.1 Board Size

There are two school of thoughts when considering executive board size and the firm performance relationship – small board size and a larger board size. Lipton & Lorsch (1992); Jensen (1993); Yermack (1996) voted for the small board size because decision making process becomes faster, leading to better company performance. The other group of scholars argued larger board size means more information about the company and the market itself, meaning proper judgement call on the decision process (Pfeffer, 1992; Klein, 1998). So, the one school of thought is about speed and the other is about more information to consider. Larger or smaller, board size seems to have an impact on company performance and its definitively positive (Abor, 2007).

There were contemporary results from few scholars as well. Guest (2009) in his research paper concluded that board size has a strong negative impact on profitability and Tobin’s Q. The paper had a large sample size of 2,746 listed firms over 20 years in UK and the author concluded that

the negative relationship was strongest for large firms like MNCs. It is considered that smaller board size enhances efficiency and hence there was a central pressure for smaller board size all throughout the world. However, there is a threshold for the larger boards since the committee will then suffer from coordination and communication issues, and hence will hamper the board effectiveness (Lipton and Lorsch, 1992; Jensen, 1993). So, technically speaking, Guest (2009) provided a U-shaped hypothesis for the board size with the firm performance.

How firms determine their board size not only depends on performance, but also on other factors such as firm size, operational complexity and relative growth over the years (Wintoki, 2007). Supporting that conclusion, another research paper summarized their findings as large board size have an optimal point beyond which evidence for positive relationship does not exist (Coles et. al., 2008). Since the relationship follows a U-shaped pattern, we will conclude that with smaller board size, there is a positive relationship with firm performance.

H₁: There is a positive relationship in between board size and firm performance.

3.2.2 Board Independence

There is a broad debate in between the scholars to state whether Board Independence adds any value to the firms, with no definitive conclusion given. However, several journal articles concluded that there is a negative relationship between board independence and firm performance. Regulatory committee believed that board independence means more accountability and transparency of the management of the firm, enhancing overall performance. However, the findings from the journals mentioned otherwise. Hence, it cannot be concluded that greater number of independent board members will guarantee better performance of the firm, in terms of both corporate governance and also in terms of maximizing shareholders' wealth (Rashid, 2017).

Bhagat & Black (2000) reported that it was a traditional approach for the firms with lower profit margin to respond by improving board independence. However, this conventional strategy does not work in this modern industrial arena. Board independence creates more barriers to reporting, which dampens the speed of the firms' operations. Hence, the firms' fails to utilize opportunities and lose to their competitors. Studies also found that more profitable firms tend to increase more board independence to attain political advantages.

Furthermore, Yermack (1996) reports a significant negative correlation between proportion of independent directors and Tobin's q ratio (market value of a firms' assets), but no significant correlation for several other performance variables (sales/assets; operating income/assets; operating income/sales); Agrawal and Knoeber (1996) reports a negative correlation between proportion of external directors and Tobin's q ratio. Emerging economies seeks minimal presence of independent directors in their board structure to minimize the cost. Moreover, there is a problem of "one size fits all" with the developing nations as they forget to take institutional differences in consideration while assigning outside directors. This explains the negative relation in some of the emerging economies such as Bangladesh (Anderson & Reeb, 2004).

Further research also revealed that board independence is difficult to achieve in the firms of Bangladesh since the board has very little to do with monitoring management. In addition, the country still faces traditional setting of agency problem, where shareholders' influence on management is weak at best due to the large number of dispersed shareholders, leading to a high degree of information asymmetry between shareholders and management. This is why Board independence may act as a balancing force between the board and management (Hillman & Dalziel, 2003).

Furthermore, there is a huge family control on the listed firms in Bangladesh where the family members (representatives of the owners) hold the positions on both the company board and in management, leading to poor monitoring and control. Family ownership is reported to be the most important cause behind the CEO duality problem in most of the listed firms in Bangladesh. Such family control is sometimes harmful to the firm as it effectively weakens the rational measures, such as rules and regulations for accountability and it is questioned if the Western dominated corporate governance system may work well in an emerging market. (Uddin and Choudhury, 2008)

H₂: There is a negative relationship between board independence and firm performance.

3.2.3 Audit Committee

From the perspective of corporate governance regulations of Bangladesh, BSEC (2012) requires all listed companies to have audit committees comprising of at least three members from their executive board, of which an independent director must be present. The rules and regulations also state the audit committee chair must be an experienced audit professional leading the forum and

reporting the findings to the executive board members. Pomeroy and Thornton (2008) reported that audit committee positively influences the financial reporting quality of the corporation where proper disclosure of information are handled. An audit committee plays one of the most important roles in monitoring the operation of the company and the internal control system (ICS), protecting the shareholder interest (Rahmat et al., 2009). An audit committee ensures company performance and competitiveness particularly in business environment which is beyond the control of management (Craven & Wallace, 2001).

As mentioned earlier, there are three characteristics of audit committee that makes the forum more effective to its responsibilities – independence, expertise and engagement. Baxter & Cotter (2009) argued that quality of earnings can be greatly enhanced through intensive engagement of audit members to the company operations. Hence, including more members seems the right choice as that will bring more knowledge and engagement into the table. The firms with better quality of auditors brings better business practices compared to lower number or less qualified auditors (Teitel & Machuga, 2010). Moreover, the audit committee must act independently in order to provide unbiased results and perform their roles the way they are expected to (Lin et al., 2008).

This research paper will consider only the size of the audit committee since measuring the quality and engagement will lead to more complexity as they are subjective variables and regression analysis will not portray reliable results. Dalton et al. (1999) summarized his findings that audit committees become ineffective if the size is too small or too large – smaller groups lacks diverse knowledge and larger groups loses focus and invites conflict on decision making. The author advised the firms to figure out their own the right number of audit committee members on trial and error basis until they find their “effective” forum, leading the relationship towards a bell-shaped curve. For simplicity, we will consider that the audit committee members do not reach the threshold Dalton talked about in his findings.

H₃: There is a positive relationship between audit committee and firm performance

3.2.4 Insider Ownership

The relation between ownership structure and firm performance is related to the “agency problem”. The separation of management from control creates a “principal-agent problem” in which managers (agent) might make decisions that are not in the best interest of the owners (principal).

There are chances that the managers might use private information of their personal gain and act against shareholders' interests. However, many firms tackle this problem through higher percentage of insider ownership in their equity structure. The more the insider ownership, the better the performance of the company (Ngui, Voon & Lim, 2008). Insider ownership refers to the ownership of shares by various directors and sponsors. Since the paper is about MNCs, there are a significant portion of insider ownership that belongs to the global directors of the company. Inside directors possess sensitive and valuable information regarding the company and will not agree to the decisions that might affect the company performance, leading to insider dominance and stronger performance, since ownership and management are aligned in interest and have a long-term investment perspective.

Further studies of 371 Fortune 500 firms in 1980s also found that in between 0-5 percent of insider ownership gives a positive correlation with firm performance. With ownership above 25 percent there is a weak effect, but the range between 5 to 25 percent negatively affects Tobin's Q performance (Morck, Shleifer & Vishny, 1988). In other words, the relationship follows a U shape pattern. Ahmed & Hadi (2017) explained the bell-shaped curve in their paper as, higher degree of insider ownership leads to exercise high management power for personal advantages. Furthermore, it was also found that owner manager firms are more efficient in performance compared to companies managed by a professional manager, and family firms run by their owners perform (relatively) the toughest (Lauterbach & Vaninsky, 1999).

However, the journals also reported contradictory relations too. Krivogorsky (2006) found a weak relationship between managerial ownership and profitability in European companies. This might be the result of economic incentives provided through active managerial monitoring of the firm's environment. Alternatively, managerial ownership can encourage risk taking, which could hamper the firm's profitability instead of improving it. Eelderink (2014) uncovered no significant relation between managerial ownership and performance and his results support the findings of Krivogorsky (2006). Using the stated measure as endogenous variable and Tobin's Q as profitability measure, Loderer and Martin (1997) found that ownership does not anticipate. On the other hand, Cho (1998) found that company performance has an impact on ownership structure but not vice versa. It is the company performance that plays a role in deciding both the equity structure and the board structure.

H₄: There is a positive relationship between insider ownership and firm performance.

3.2.5 Government Ownership

Government ownership in the MNCs of Bangladesh is very small compared to its neighboring nations. Most of the shareholder position is owned by the company itself and very small percentages by the foreign and local institutions (Ullah et al., 2017). However, the paper looked into whether the companies having government ownership have an impact in terms of profit percentages. Several researches conducted among the Chinese firms listed in several exchanges shows government ownership is negatively related to the performance of those firms (Qi et al., 2000; Sun et al., 2002). Qi et al (2000) explained this scenario in terms of political unrest when financial stability takes a turn in the economy. In such scenario, government takes certain actions in favor of the people which most of the time goes against the favor of the businesses. Having high government shares might force the company to lose its market share and hence the impact on the profitability. However, many authors disregarded this explanation because political unrest is an outlier incident in most of the nations.

Wei (2007) ran regression over the data of 276 firms from all around the world to figure out any relationship in between the government ownership and firm efficiency. The author found very small relationship in between the variables; however, they possess a negative relationship if the percentage of shareholding position of government is above 50%. However, the author also argued the necessity of government presence in the shareholding position to have monitoring power and ensure transparency of the company. In other words, the pressure for voluntary disclosures enhances with the presence of government ownership in the company (Chau and Gray, 2002; Cullen and Christopher, 2002).

H₅: There is a negative relationship between government ownership and firm performance.

3.2.6 Institutional Ownership

The scholars argued that institutional investors play a major role in practicing good governance culture as they have that incentive to monitor the corporate managers often (Ping and Wing, 2011). Institutional investors do not directly involve with the corporation but have the right to raise flags in the event of improper disclosures (Kochhar & David, 1996). Institutional investors have subject knowledge and can monitor a corporation at a lower cost compared to other small atomistic

shareholders (Pound, 1988). Moreover, institutional investors are known to pull out their shareholding position when they were not satisfied with the returns or company's disclosure mode. Hence, they are more likely to invest in more liquid favorable business environment. Since, institutional investors engages in monitoring and influences the decisions of the board, their presence is more likely to positively affect the firm performance.

As usual, numerous scholars also provided their counter-arguments questioning the effectiveness of the monitoring by the institutional investors. Duggal and Miller (1999) reported that due to agency conflicts between shareholders and managers, institutional investors are unable to practice effective monitoring role. Hence the nature of relationship is remains unclear. Several authors concluded that institutional ownership maintains a curvilinear relationship with firm performance (Shleifer et al., 1988; Jensen and Meckling, 1976). Due to agency conflict, increase in institutional investors does not provide better firm performance (Baenea et al., 1985). Theoretically, to summarize, it shows a positive relationship at first, which fades away with increase in institutional investor dominance.

H₆: There is no relationship between institutional ownership and firm performance

3.3 Methodology

This report is based solely on secondary sources of information published externally for all BAT Bangladesh stakeholders. All the data used in the report are collected mainly from audited annual reports of the organizations, their respective websites and numerous journal articles published regarding corporate governance and multinational firms. As stated earlier, BAT Bangladesh Legal and External Affairs (LEX) strictly discourages use of their current primary data in the reports that will be published externally. The dataset used for multiple regression analysis includes 5 years data from ten reputed MNCs in Bangladesh. The report tried to come into a conclusion whether the performance of these organizations is influenced through corporate governance structure.

3.3.1 Defining Variables for Regression

The following table summarizes the variables used in the regression. To measure performance, Return on Asset (ROA) and Return on Equity (ROE) are considered as dependent variable and multiple variable were ran separately for each of the dependent variables against the independent variables. Independent variable considered were Board Size, Board Independence, Audit

Committee, Insider Ownership, Government Ownership and Institutional Ownership structure- all quantifying the corporate governance structure. Data were collected from audited annual reports of 5 years 10 MNCs listed in Dhaka Stock Exchange (DSE) (see Appendix). Hence the sample size was 50. As control variables – EPS, firm size, weighted cost of capital and relative growth of the firms were considered.

Symbol	Variable	Mode of Measurement
ROA	Firm Performance	Return on Asset
ROE	Firm Performance	Return on Equity
BSize	Executive Board Size	Log of Board Size
BInd	Board Independence	Percentage of Independent Directors in the Board
AudC	Audit Committee	Percentage of Audit Committee members
InsO	Insider Ownership	Shareholding Position by Sponsors and Directors both local and global
GovO	Government Ownership	Shareholding Position by Government
InstO	Institutional Ownership	Shareholding Position by various Institutes
EPS	Earnings per Share	Taken from annual reports
FS	Firm Size	Log of Total Asset
WACC	Cost of Capital	Weighted Average Cost of Capital over five years
FG	Firm Growth	Growth measured relative to 2014 accounting period

Table 1. Regression Variables

The Regression Equation stands –

$$ROA = \alpha + \beta_1 BSize + \beta_2 BInd + \beta_3 AudC + \beta_4 InsO + \beta_5 GovO + \beta_6 InstO + \beta_7 EPS + \beta_8 FrmS + \beta_9 WACC + \beta_{10} FrmG + \epsilon$$

3.3.2 Descriptive Statistics

The table below summarizes the data of 10 MNCs taken into consideration -

Variables	Count	Average	Standard Deviation	Minimum	Maximum	Skewness
ROA	50	28.8%	0.29	11.0%	56.6%	0.66
ROE	50	53.9%	0.54	-56.9%	401.3%	3.64
Board Size	50	9.22	2.27	5	15	0.56
Board Independence	50	24%	0.23	12.5%	42.9%	1.50
Audit Committee	50	59%	0.59	30%	100%	0.46
Insider and Foreign Ownership						
Ownership	50	74.2%	0.74	55.8%	95.0%	0.12
Government Ownership	50	0.44%	0.00	0.00%	3.77%	2.62
Institutional Ownership	50	15.3%	0.15	0.00%	39.3%	0.84
EPS	50	53.87	52.83	-52.75	166.87	0.49
Firm Size	50	9.98	9.97	9.00	11.1	0.65
WACC	50	1.27%	0.01	0.05%	4.26%	0.81
Firm Relative Growth	50	116.2%	1.17	64.8%	184.0%	0.76

Table 2. Descriptive Statistics of the Variables

In short, the table above can be considered as an overview of the listed MNCs in Bangladesh over the last 5 years. For instance, the average return on asset of MNCs over the past 5 years is 28.8% with a very smaller deviation in between the values. The return on equity have a very high positive skewness meaning only some of the company are making very high profits, whereas majority of the companies are operating at their par level. The Board size shows a minimum value of 5 and a maximum value of 15, which follows the corporate governance checklist guided by BSEC. We also see that percentage of independent directors in the executive board are varying in between 12.5% and 42.9%, meaning still some companies have to assign more independent directors since BSEC guideline prescribes at least 20%.

In ownership structure, we can see almost on average one-third of the MNCs are owned by the sponsors and both global and local directors. Only 0.44% of the MNCs are owned by the

government, inferring that the government does not have the upper hand in the decision-making process of the MNCs. Only 15.3% of the shares are owned by institutional investors. Performance matrices shows a positive picture of the MNCs in Bangladesh. Average firm growth of 16% with 84% the highest in a company, Bangladesh is still proving to be an impactful geographic location for international trades.

3.4 Regression Results

3.4.1 ROA and ROE

As mentioned earlier, we have two performance variables measured in order to verify the regression results. After regression, the R^2 (coefficient of determination) value when ROA is considered is 0.56 and the R^2 value when ROE considered is 0.21. According to econometrics scholars, any study with an R^2 value closer to 1 means that the data are well fitted to the model we derived. To interpret, 56.1% of the deviation of ROA can be explained by the independent variables, whereas only 21.1% of the deviations of ROE can be explained by independent variables. And hence, the ROA model proved to be the better fitted compared to ROE with the independent variables considered.

<i>Regression Statistics - ROA</i>		<i>Regression Statistics - ROE</i>	
Multiple R	0.749128315	Multiple R	0.459352204
R Square	0.561193233	R Square	0.211004447
Adjusted R Square	0.448678677	Adjusted R Square	0.008697895
Standard Error	0.084991679	Standard Error	0.625388727
Observations	50	Observations	50

Table 3. Summary Output of the Regressions

3.4.2 F-ratio

ANOVA Table –

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	10	0.3602936	0.03602936	4.987739	0.00011922
Residual	39	0.2817198	0.00722359		
Total	49	0.6420134			

Table 4. ANOVA Table

The F-ratio in the ANOVA table tests whether the regression model derived is a good fit to the input data. The table shows that the independent variables statistically significantly predict the dependent variable, $F(10, 19) = 4.988$, $p < .0005$ (i.e., the regression model is a good fit of the data).

3.4.3 Regression Coefficients

The following table summarizes the regression results (see appendix for full table) -

Variables	Coefficients	Standard Error	p value
Intercept	-1.695	0.4028	0.0001
Board Size	0.169	0.2219	0.4496
Board Independence	0.403	0.2302	0.0882
Audit Committee	0.203	0.0875	0.0259
Insider and Foreign Ownership	0.285	0.2000	0.1618
Government Ownership	3.688	1.8302	0.0509
Institutional Ownership	-0.278	0.2261	0.2258
EPS	0.001	0.0005	0.3594
Firm Size	0.139	0.0377	0.0007
WACC	4.363	1.6638	0.0124
Firm Relative Growth	-0.034	0.0684	0.6182

Table 5. Regression Results

Hence, Regression Equation –

$$ROA = -1.695 + 0.169 BSize + 0.403 BInd + 0.203 AudC + 0.285 InsO + 3.688 GovO - 0.278 InstO + 0.001 EPS + 0.139 FrmS + 4.363 WACC - 0.034 FrmG$$

3.4.4 Interpretation of Regression Coefficients

Note: We will assume our significance level for the test to be 10 percent following Basic Econometrics by Gujarati.

- **Board Size**

There is a positive relationship in between board size and firm performance. Since we took the logarithm of Board members, 1 percent increase in board members will increase the ROA by 0.169 units. However, the p-value is 0.4496 which is greater than our considered significance level of 0.1. Hence, the result found is not significant. So, we can conclude that there is no evidence found that board size positively impacts firm performance.

- **Board Independence**

There is a positive relationship in between board independence and firm performance. Increase in 1 percent of independent directors in the executive board increase the ROA by 0.403 units. With a p-value of 0.0082, the result is significant and reliable. Hence, we can reject null hypothesis. In other words, board independence positively impacts the firm performance.

- **Audit Committee**

There is a positive relationship in between audit committee and firm performance. 1 percent increase in audit committee members in the executive boards increase the ROA by 0.203 units. The result is significant since it has a p value of 0.0259, which is lower than our significance level. Hence, it can be concluded that there is a positive impact in between audit committee and firm performance.

- **Insider and Foreign Ownership**

We considered foreign ownership along with insider ownership since most of the group directors of MNCs are from abroad retaining significant number of shares from the host country. There is a positive relationship in between insider ownership and firm performance. Increase in 1 percent of shareholding position of sponsors and directors, there is increase in 0.285 units of ROA. However, the results are not significant as the p-value is greater than 0.1 here. Hence, it cannot be concluded that the positive relationship exists.

- **Government Ownership**

There is a positive relationship in between government ownership and firm performance. Increase in 1 percent of government shares, increases the ROA by 3.688 units and the result is significant as well - p value $0.05 < 0.1$. Hence, null hypothesis can be rejected and it can be concluded that government ownership enhances form performance.

- **Institutional Ownership**

There is a negative relationship in between institutional ownership and firm performance. 1 percent increase in institutional ownership decreases the firm performance by 0.278 units. However, this result is not significant since it has a p-value of 0.225; grater than our significance level. Hence, the null hypothesis retains as there is no evidence found that there is relationship in between institutional ownership and firm performance.

- **Control Variables**

Firm profitability has a positive relationship with EPS, firm size, WACC and negative relationship with relative growth percentage. However, results with EPS and relative growth was not significant. Hence, we cannot conclude any statements for EPS and Firm relative growth. Whereas, it can be concluded that increase in Firm Size and decrease in WACC positively impacts firm profitability.

3.4.5 Multicollarity Test

In order to figure out any high relationship in between the independent variables, we at first check the correlation coefficients in between the variables. We found no high correlations in between

them. Hence so can conclude there was no multicollinearity in between our independent variables. Since there were not any high correlations, VIF test was not required. Therefore, our regression model passes this test.

	<i>Board Size</i>	<i>Board Independence</i>	<i>Audit Committee</i>	<i>Insider and Foreign Ownership</i>	<i>Government Ownership</i>	<i>Institutional Ownership</i>	<i>EPS</i>	<i>Firm Size</i>	<i>WACC</i>	<i>Firm Relative Growth</i>
<i>Board Size</i>	1.00									
<i>Board Independence</i>	-0.41	1.00								
<i>Audit Committee</i>	-0.50	0.28	1.00							
<i>Insider and Foreign Ownership</i>	0.12	0.08	0.30	1.00						
<i>Government Ownership</i>	0.55	-0.27	-0.18	0.23	1.00					
<i>Institutional Ownership</i>	0.14	-0.10	-0.44	-0.71	-0.19	1.00				
<i>EPS</i>	0.12	0.02	0.24	0.23	0.19	-0.50	1.00			
<i>Firm Size</i>	0.09	-0.05	-0.23	-0.52	-0.47	0.43	0.01	1.00		
<i>WACC</i>	0.00	0.14	-0.28	-0.01	0.04	0.44	-0.47	-0.13	1.00	
<i>Firm Relative Growth</i>	0.36	-0.17	0.14	0.16	0.14	-0.25	0.52	0.24	-0.43	1.00

Table 6. Correlation Matrix of Independent Variables

3.5 Summary of the Project

The following table summarizes all the hypothesis, the research findings and the conclusions derived from the regression analysis.

Variables	Hypothesis	Regression Output	Significance Level	Conclusion
Board Size	(+) ve	(+)ve	not significant	inconclusive
Board Independence	(-) ve	(+) ve	significant	(+) ve
Audit Committee	(+) ve	(+) ve	significant	(+) ve
Insider and Foreign Ownership	(+) ve	(+) ve	not significant	inconclusive
Government Ownership	(-) ve	(+) ve	significant	(+) ve
Institutional Ownership	no relation	(+) ve	not significant	inconclusive
EPS		no relation	not significant	inconclusive
Firm Size		(+) ve	significant	(+) ve
WACC		(+) ve	significant	(+) ve
Firm Relative Growth		(-) ve	not significant	inconclusive

Table 7. Summary of the Research

There are variables like Board size, insider and foreign ownership, institutional ownership and control variables like EPS and relative growth of the firms where a conclusion where not possible due to the constraint of the data. Further data inclusion and qualitative data might help the research community to reach a conclusive statement for these variables. Regardless of both side theories, the study can finally conclude that for listed MNCs in Bangladesh, firm profitability increases with independent directors and qualified audit committee member presence in the executive board. Also influence of government seems to enhance the productivity of these listed firms.

3.6 Recommendations for the Firms

As our research shows that independent board directors, qualified audit committee members and government having significant shareholding position positively impacts the profit margin, it is imperative to acknowledge these factors by the firms and maintain strong stance to create a “good” governance culture. However, that does not imply to neglect on the other corporate governance factors. The fact that our study could not provide any conclusion for the factors like board size, insider ownership and institutional ownership, that does not means prioritizing them will negate the profit margin of the company. Our study found no such evidence that these factors will result in increasing the expenses of the operations. Hence, the firms should be more proactive to incorporate the governance practices suggested by both local and global administrations. The BSEC should work collaborate with internal audit committee of the firms to listen to their challenges so that the organizations can propose a flexible “good” governance standard until all the local and MNCs pick up the peace of practicing such cultures. Organizations should identify at what level of factors they can achieve or get closest as possible to the recommended benchmarks. All these data from the companies will help the administration to come up with more flexible benchmarks industry-wise, which in return will make the standards more organization-friendly.

3.7 Conclusion

Firstly, the work experience I am having at BAT Bangladesh Finance Team really changed my perception regarding the way I used to see business operations. It is not always about reconciliation of numbers; it is also about making strategic decisions and contribute to my team as an effective member. Speaking about the corporate governance status of our country, corporations are really synching up with global requirement of a “good” governance structure. The industries here improved a lot in the past few years – the regression study in this paper itself is a proof of how the

MNCs are cooperating with the both local and global standards. High performing firms actually started focusing on their “good” governance practice. Corporations like BAT Bangladesh, Grameenphone, Marico Bangladesh etc. already achieved awards for outstanding performance in voluntary disclosures and properly maintaining financial reports, keeping the shareholders interest in mind. I expect that the local companies will also come forward and pull up with the “good” governance practices as well. Together the companies will make an impactful change in each and every industries of Bangladesh.

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Appendix 1

Table 8. Raw Data Input for Multi-variable Regression Analysis

Company Name	Year	ROA	ROE	Board Size	Board Independence	Audit Committee	Insider and Foreign Ownership	Government Ownership	Institutional Ownership	EPS	Firm Size	WACC	Firm Relative Growth
BAT Bangladesh	2014	42.60%	54.80%	1.00	30.00%	60.00%	72.91%	0.64%	11.50%	104.70	10.43	0.58%	100.0%
	2015	44.61%	40.02%	1.04	27.27%	54.55%	72.91%	0.64%	10.81%	97.90	10.47	0.41%	113.4%
	2016	39.40%	40.11%	1.00	30.00%	80.00%	72.91%	0.64%	10.21%	126.37	10.55	0.10%	130.7%
	2017	38.36%	33.88%	1.04	18.18%	72.73%	72.91%	0.64%	9.55%	130.50	10.67	0.40%	161.1%
	2018	36.82%	33.91%	1.08	25.00%	41.67%	72.91%	0.64%	8.85%	166.87	10.75	0.83%	184.0%
Bata	2014	21.68%	27.25%	0.85	28.57%	100.00%	70.00%	0.00%	0.00%	51.22	9.69	0.10%	100.0%
	2015	23.80%	28.05%	0.70	20.00%	100.00%	70.00%	0.00%	0.00%	60.80	9.72	0.08%	105.5%
	2016	22.48%	29.33%	0.70	20.00%	100.00%	70.00%	0.00%	0.00%	76.24	9.82	0.05%	108.8%
	2017	21.37%	401.35%	0.78	16.67%	66.67%	70.00%	0.00%	0.00%	82.34	9.89	0.07%	111.9%
	2018	16.63%	20.97%	0.70	40.00%	80.00%	70.00%	0.00%	0.00%	72.79	9.94	0.09%	117.9%
Berger Bangladesh	2014	26.99%	32.72%	1.00	20.00%	70.00%	95.00%	0.00%	4.30%	47.33	9.73	0.09%	100.0%
	2015	37.11%	42.30%	0.90	12.50%	87.50%	95.00%	0.00%	4.45%	73.70	9.80	0.14%	137.5%
	2017	39.20%	44.58%	1.00	20.00%	90.00%	95.00%	0.00%	4.53%	103.20	9.93	0.06%	171.0%
	2018	26.02%	27.60%	1.04	18.18%	81.82%	95.00%	0.00%	3.45%	36.01	9.95	0.08%	151.5%
	2019	25.57%	25.88%	1.11	23.08%	76.92%	95.00%	0.00%	3.45%	42.07	10.03	0.07%	163.0%
Grameenphone	2014	28.24%	63.14%	1.00	20.00%	40.00%	55.80%	0.00%	34.20%	14.67	11.12	1.76%	100.0%
	2015	27.91%	61.52%	1.00	20.00%	40.00%	55.80%	0.00%	34.20%	14.59	11.12	1.46%	102.0%
	2016	31.85%	67.10%	1.00	20.00%	40.00%	55.80%	0.00%	34.20%	16.68	11.12	1.98%	111.9%
	2017	38.36%	79.38%	1.00	20.00%	40.00%	55.80%	0.00%	34.20%	20.31	11.11	1.12%	125.1%
	2018	41.37%	82.49%	1.00	20.00%	40.00%	55.80%	0.00%	34.20%	26.04	11.14	1.20%	129.4%
GSK Bangladesh	2014	21.13%	35.69%	0.95	22.22%	33.33%	81.98%	0.00%	15.67%	68.63	9.70	2.38%	100.0%
	2015	18.70%	31.92%	1.00	20.00%	30.00%	81.98%	0.00%	15.67%	68.99	9.75	1.76%	93.2%
	2016	14.73%	24.93%	0.95	22.22%	33.33%	81.98%	0.00%	15.67%	53.51	9.73	1.10%	87.4%
	2017	16.55%	24.59%	0.90	25.00%	37.50%	81.98%	0.00%	15.67%	55.56	9.80	1.00%	64.8%
	2018	27.16%	-56.91%	0.85	28.57%	42.86%	81.98%	0.00%	15.67%	-52.75	9.64	2.66%	67.0%
Heidelberg Cement	2014	12.85%	18.33%	0.95	22.22%	55.56%	60.66%	0.00%	39.34%	20.88	10.01	4.26%	100.0%
	2015	17.42%	24.26%	0.90	25.00%	62.50%	60.66%	0.00%	39.34%	24.81	9.99	3.19%	93.3%
	2016	19.10%	26.97%	0.90	25.00%	62.50%	60.66%	0.00%	39.34%	26.69	10.01	2.36%	106.2%
	2017	11.68%	17.09%	0.90	25.00%	62.50%	60.66%	0.00%	39.34%	14.21	9.94	2.20%	93.3%
	2018	10.95%	15.58%	0.95	22.22%	55.56%	60.66%	0.00%	39.34%	12.59	9.93	1.83%	106.2%
Linde Bangladesh	2014	21.64%	23.79%	0.95	22.22%	44.44%	60.00%	0.00%	19.70%	40.75	9.58	0.72%	100.0%
	2015	21.97%	23.35%	0.95	22.22%	66.67%	60.00%	0.00%	19.50%	42.74	9.62	0.52%	98.7%
	2016	22.51%	27.36%	0.90	25.00%	50.00%	60.00%	0.00%	15.60%	57.90	9.74	0.36%	107.2%
	2017	22.82%	25.92%	0.90	25.00%	50.00%	60.00%	0.00%	16.50%	62.60	9.77	0.27%	124.0%
	2018	20.54%	22.44%	0.90	25.00%	75.00%	60.00%	0.00%	29.90%	65.96	9.84	0.43%	137.0%
Marico Bangladesh	2015	51.52%	78.54%	0.85	28.57%	71.43%	90.00%	0.00%	0.00%	42.69	9.53	2.99%	100.0%
	2016	51.60%	82.75%	0.90	25.00%	75.00%	90.00%	0.00%	9.35%	44.89	9.54	3.26%	99.3%
	2017	49.53%	91.62%	0.85	42.86%	85.71%	90.00%	0.00%	8.85%	45.72	9.57	1.82%	97.2%
	2018	47.81%	110.21%	0.85	42.86%	85.71%	90.00%	0.00%	9.00%	52.15	9.65	2.40%	109.8%
	2019	56.63%	154.71%	0.85	28.57%	71.43%	90.00%	0.00%	8.87%	64.23	9.66	3.45%	123.2%
Renata Bangladesh	2015	19.52%	21.33%	0.95	22.22%	33.33%	73.00%	0.00%	14.00%	37.89	10.21	1.74%	100.0%
	2016	21.62%	20.80%	0.95	22.22%	44.44%	73.00%	0.00%	14.00%	37.35	10.24	1.60%	114.7%
	2017	22.30%	20.83%	1.00	20.00%	30.00%	73.00%	0.00%	12.00%	43.98	10.27	1.08%	129.2%
	2018	22.22%	21.16%	0.95	22.22%	44.44%	72.70%	0.00%	12.60%	39.70	10.32	0.99%	144.4%
	2019	22.11%	20.91%	1.04	27.27%	36.36%	72.70%	0.00%	12.70%	47.47	10.38	0.62%	172.5%
Reckit Benckiser	2014	26.64%	83.97%	1.15	14.29%	42.86%	82.96%	3.77%	9.69%	37.57	9.01	3.34%	100.0%
	2015	40.83%	135.09%	1.18	20.00%	46.67%	82.96%	3.77%	9.69%	58.73	9.00	1.90%	108.0%
	2016	32.72%	123.03%	1.18	20.00%	46.67%	82.96%	3.77%	9.69%	62.66	9.16	0.66%	124.6%
	2017	36.39%	123.30%	1.11	15.38%	46.15%	82.96%	3.77%	8.42%	80.63	9.19	0.68%	137.4%
	2018	29.27%	84.35%	0.95	22.22%	55.56%	82.96%	3.77%	8.76%	70.22	9.26	1.18%	145.8%

Appendix 2

Table 9. Regression Results for ROA as an independent variable

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.749128315							
R Square	0.561193233							
Adjusted R Square	0.448678677							
Standard Error	0.084991679							
Observations	50							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	10	0.360293588	0.036029359	4.987738955	0.00011922			
Residual	39	0.281719835	0.007223586					
Total	49	0.642013423						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-1.695441338	0.402837863	-4.208743744	0.000145976	-2.510257826	-0.880624849	-2.510257826	-0.880624849
Board Size	0.169482167	0.221905734	0.763757491	0.449607835	-0.279364547	0.61832888	-0.279364547	0.61832888
Board Independence	0.402531641	0.23017792	1.748784767	0.088195985	-0.063047149	0.86811043	-0.063047149	0.86811043
Audit Committee	0.202673801	0.087480831	2.316779572	0.025858028	0.02572712	0.379620483	0.02572712	0.379620483
Insider and Foreign Ownership	0.285213376	0.199990249	1.426136407	0.161785142	-0.119305086	0.689731837	-0.119305086	0.689731837
Government Ownership	3.687696272	1.830246916	2.014862716	0.050850189	-0.014327546	7.389720091	-0.014327546	7.389720091
Institutional Ownership	-0.278245904	0.2260702	-1.230794254	0.225771364	-0.735516045	0.179024238	-0.735516045	0.179024238
EPS	0.000445953	0.000480853	0.927420292	0.359412626	-0.000526664	0.001418569	-0.000526664	0.001418569
Firm Size	0.138617872	0.037722808	3.674643504	0.000714544	0.06231629	0.214919453	0.06231629	0.214919453
WACC	4.36334167	1.663759518	2.622579539	0.012385113	0.9980704	7.728612941	0.9980704	7.728612941
Firm Relative Growth	-0.0343726	0.068406517	-0.502475514	0.618158669	-0.17273784	0.103992641	-0.17273784	0.103992641