INTERNAL CORPORATE GOVERNANCE CONTROLS AND ITS IMPACT ON BUSINESS ETHICS

- A COMPARATIVE MULTIPLE CASE STUDY OF CZECH AND VIETNAMESE COMPANIES

Revision Document of Master Thesis in Business Administration
Blekinge Institute of Technology, School of Management
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Date of Submission:
6 June 2011
1. Topic Proposal

Topic proposal submitted: 4 April 2011

1.1 Comments on the Topic proposal were received from Dr. Urban Ljungquist 7/4 concerned following:

The comment pointed out that we have selected not less than five main aspects to study: “Internal corporate governance controls as a framework for management control system and how it can improve business performance in an ethical way, benefiting stakeholders” and advised us to omit two of them, maybe even three, to make the thesis more focussed and easier for us to manage and progress.

Since we, as the thesis authors, fully agreed with the aforementioned comment and actually “felt” ourselves that our span was too broad, we decided to focus on internal corporate governance controls (encompassing also management control systems) and its relevance to business ethics only. Therefore we renamed our study for “Internal corporate governance controls and its impact on business ethics”, because we believe that internal controls as formulated above offer a good ground to uncover company’s true attitude towards business ethics. This assumption was also confirmed by the thesis findings.

2. Thesis Proposal

Thesis proposal submitted: 18 April 2011

2.1. Comments on the Topic proposal received from Dr. Urban Ljungquist 19/4 concerned following:

Plagiarism content was indicated by software program in our uploaded manuscript. However, no changes were required on the submitted Thesis proposal.

Although we were not aware of any plagiarism committed, except of using short parts of our own text from the previous Topic proposal (in order to make both documents more coherent and as a part of one thesis), we were more cautious during the next submissions and also made necessary adjustments on the incriminated text. Since then, no similar announcement has occurred.

2.2. Comments on the Thesis proposal received from our tutor, Dr. Klaus Solberg Soilen 29/4, 3/5 and 4/5 concerned following:

Method chapter was not elaborated sufficiently. Comments were concerning in-depth interviews, which we intended and in the proposal presented to conduct on one-to-one basis by means of face-to-face interactions or internet-mediated interactions with at least two managers holding different positions in hierarchy of surveyed companies. The comments were following: “How many interviews, With what level of position?, How long interviews?, How will they be conducted?, Why will you succeed? (What may go wrong?)”.

Since some of the required data were actually incorporated in the submitted method chapter, we reorganized the chapter so that the information could have been more easily traced, and we also substantially supplemented whole chapter by additional data. For example, we were more specific about the data collection process, secondary documentation, length of interviews, number of respondents, their position in researched companies as well as their role in creating internal corporate governance controls.

Later comment from Dr. Soilen regarded our choice of companies to investigate. Specifically, he pointed out that they were representatives of different industries and therefore not easily
We were asked either to find similar companies or to explain „why it is OK to compare different industries“.

We decided for the second option for the following reasons. In our opinion, company size, capital and country legal system are substantial factors affecting internal governance controls in companies, rather than belonging to a specific industry. Therefore we selected companies with regards to their representativeness to overall business approach to internal corporate governance controls in respective countries, and companies of larger size relative to the economy of both countries. Furthermore, we omitted to assess factors stemming from nature of production process. Moreover and according to our experience, corporate governance and internal corporate governance controls (such as recommended by COSO, Turnbull guideline, OECD principles etc.) are a fluid, principle based framework built for business in general. Other consideration taken into account was necessity to gain personal in-sight, personal contacts and trustworthiness in order to obtain honest responses on the selected topic, since it involved access to sensitive data. And lastly, the thesis writing process was quite advanced in this phase and changing more than one company might not impact the whole thesis positively.

Other comments from our tutor regarded format of the thesis; title and a reference list, because some of our references were not consistent with chosen Harvard system. These drawbacks were corrected and a proper reference list was presented.

2.3. Comments on the Thesis proposal received from our tutor, Dr. Klaus Solberg

Soilen 5/5, 6/5 and 10/5 concerned following:

Using a **5 point Likert scale + open ended questions** when conducting semi-structured interviews, including literature advice regarding this topic.

As we found out in recommended literature and other sources, Likert scale is commonly used in questionnaires/surveys, not often during interviews, which were our case. Since we were primarily interested in types of internal controls being used in the companies (that we did not know exactly beforehand), according to our opinion it would be inadequate to ask respondents for specifying their level of agreement to our statements. On the contrary, we wished interviews to be more under guidance of respondents, although under our control. For the reasons, we didn't incorporate Likert scale universally into our interview guide. At the same time, we sent our Interview Guide that we planned to use for semi-structured interviews to the tutor and on the tutor's next advice, we aimed to use open questions and Likert scale (5 points) when possible, to extract quantitative data.

3. Theory and Method Proposal


3.1. Comments on the Theory and Method proposal, received from peer reviewers, Sona Mirzoyan and Rebecca Legesse

Adding a subtitle *Business Ethics* in the Czech Republic and Vietnam, applying a questionnaire for data collection purposes, and diversifying the activity field of companies in Vietnam.

Two of the three aforementioned suggestions we have taken into account and changed in the thesis. Namely, we added parts 2.4.3 and 2.4.4 into the Theory chapter, describing overall approach to business ethics and level of business ethics development in both countries. Furthermore, Thao managed to replace one of her originally intended companies for another, so the Vietnamese businesses were more diversified, with results more relevant to make generalisation. Spelling mistakes, also mentioned by the reviewers, were corrected.
4. Complete Thesis Proposal

Complete Thesis proposal submitted: 23 May 2011. Submission to the tutor also included transcribed interviews, which were not inserted into the thesis directly for confidentiality reasons and due to its length.

4.1 Comments on the Complete Thesis proposal, received from our tutor Dr. Klaus Solberg Soilen 24/5 concerned following:

Changes in Abstract and Introduction were required. These concerned rewriting sentences when these were too long or didn’t make sense, or being specific about our recommendations mentioned in Abstract. In Introduction part (1.), we were asked to make a distinction between companies, when mentioning former cases of companies that behaved unethically. There were also mentioned/corrected occasional grammar mistakes.

All the comments were taken care of and the critical parts rewritten, corrected and supplemented.

4.2. Comments on the Complete Thesis Proposal, received from peer reviewers, Sona Mirzoyan and Rebecca Legesse 29/5, included following:

Punctuation, reference and spelling errors, and incomplete Abbreviation List. Another remark was concerning choice of research technique; specifically it was recommended to employ a questionnaire to unveil lower level employees’ understanding and preserving of Business Ethics within the chosen companies.

All formal and grammar errors were corrected to the best of our knowledge, including proof reading by two other persons. The reason for not using questionnaires for lower level employees we incorporated into the De-limitations part 1.4. Although we were considering the use of questionnaires in the very beginning of our study, we abandoned the intention for the following reasons. Firstly, our initial intention was to capture managers’ attitude toward the internal corporate governance controls and its relation to the business ethics. And indeed, such approach has proved to be the best fitting into our thesis purpose, since it is managers who set the tone from the top in research companies. Secondly, questionnaires as survey strategy require substantial length of time as well as larger sample base to be able to withdraw meaningful results. Since we weren’t guaranteed to get access to necessary data and time required in all our case companies, we incorporated participant and direct observations and a great deal of internal documentation, to etch in the whole picture of internal corporate governance controls and its impact on business ethics in case companies.

5. Final Thesis Proposal

FINAL Thesis proposal submitted: 4 June 2011

5.1 Comments on the Complete Thesis proposal, received from our tutor Dr. Klaus Solberg Soilen 5/6 and 6/6 concerned following:

Using too strong value judgements, e.g. words such as: "Ethical leader", "Should" or "many unethical companies". We were basically advised to rewrite these expressions, since they are complicated terms to use in a scientific work. Additional comments concerned grammar and occasional mistakes in referencing system.

Although these comments were received after the final submission, we tried to cover all the points highlighted by our tutor thoroughly. We rewrote the critical words and expressions or put them into quotation marks, in the case they couldn’t be avoided completely. Also several corrections were made into the grammar and referencing system.
After the corresponding changes were made and the “new final version” sent to the tutor, we received final grade from Dr. Soilen but also received additional critical remarks on our thesis, such as:

- Some "should" and "ethical leaders" as problematic terms were still left undefined.
- Deeper analysis of differences not only between cultures and companies but also between the 3 gathering techniques or sources (secondary, interviews and observations) would be beneficial, since people seldom disclose unethical behaviour.
- Clearer conclusions as to how our findings differed from existing theory in the Theory part were not incorporated.

However, as we understood according to the e-mail, we were not expected to make any changes in the final manuscript at the moment, since these concerned quite extensive rewriting of Analysis part. This would require additional, longer time, which we were not provided with. On the contrary, we understood these remarks rather as a closer explanation of the final grade given, which included also stressing out weak points of the thesis.