CHAPTER – THREE
RESEARCH METHODOLOGY.

PROLOGUE

No research is possible without adopting suitable research methodology. It is an integral part of research design. Adoption of appropriate methodology is an essential characteristic of quality research. The methodology of study may differ from problem to problem, yet the basic approach towards research remains the same. In fact, research must be an original contribution to the existing stock of knowledge making for its advancement. It is the pursuit of truth with the help of study, observation, comparison and experimentation.

In short, the research for knowledge through objective and systematic methods of findings solution to a problem is research. As such, the term 'research' refers to the systematic method consisting of enunciating the problem, formulating a hypothesis, collecting the facts or data, analysing the facts and reaching certain conclusions either in the form of solutions towards the
concerned problem or in certain generalisations for some theoretical formulation.

3.1 PROBLEM FORMULATION AND OBJECTIVES OF RESEARCH.

The researcher, being connected with chartered accountancy profession and ICAI, has selected the problem that pertains to his own profession. The researcher, by profession is a chartered accountant and is connected with several bodies of ICAI and ICSI and has observed that despite the announcement of corporate governance rules and Accounting Standards, they are not observed fully and with clear intent. It is a sorry plight of smaller business firms and even big corporates.

The subject of corporate governance has now become a main stream of discussion in seminars, conferences, workshops and academic and professional platforms. The government and global bodies are also discussing the issue. The scandals and scams, in the past led to the discussions on corporate governance in USA, Europe and India also.

The regulatory developments subject the companies to more stringent corporate governance norms. The ICSI and ICAI, New
Delhi have started awarding awards for excellence in corporate governance to encourage the companies towards adoption of best corporate governance practices.

Before conducting any research whether it is social, economic, political, commercial or scientific, the researcher has to decide the problem to be investigated. This is termed as problem formulation. In it the researcher besides upon the subject of the research and other related issues. The present research is exploratory research. As such, the researcher has selected one of the best private sector corporations for the study of corporate governance and its application. HLL and Godrej are ideal companies for the purpose of application part of corporate governance and business ethics. Both of these organisations manufacture both consumer durables and non-consumer durables with good relationship marketing practices.

Any social or economic research may have two objectives—academic objectives and utilitarian objectives. An urge for knowledge is the basic ingredient of academic research, while research for the sake of research too has found favour with some academicians. There was a time when academic research was very well regarded. But the trend has achieved a tremendous change, and research is now expected to be more utility-oriented
than merely academic-oriented. This trend is evident in many recent reports of researchers, which are directly linked with policy formulation.¹

Research provides an analytical framework for the subject matter of investigation. It establishes the relationship between the different variables, especially the relationship of the dependent variables with the independent variables. The cause-effect relationship between different variables can also be identified, leading to valuable observations, generalisations, and conclusions. Inductions and deductions are also possible in a systematic research. Induction is the process of inferring a general law from particular instances, i.e., a generalisation is arrived at on the basis of the observation or result of particular instances. Deduction, on the other hand, is a way of making a particular inference from a generalisation. In the deductive method, specific conclusions are derived from generalisations, while a generalisation is made from particular situations in the inductive method.

Empirical studies have great potential, for they lead to inductions and deductions. Thus, research enables one to develop theories and principles, on the one hand, and to arrive at

generalisations, on the other. Both are aids to problem-solving. As research is based on observations and empirical evidences, it improves knowledge and understanding, as-well-as decision-making skill and ability. Gathering primary data for analytical purposes or using secondary data for first-hand investigation should be involved in research. It stimulates the process of understanding, on the one hand and deepens the insight, on the other. Obviously, managerial efficiency increases. Moreover, a systematic research involves various formalities and procedures, and hence the decision-maker gets sufficient time for postponing decisions if he desires to do so in certain circumstances. On such occasions, research can be a blessing in disguise.  

**OBJECTIVES OF THE STUDY**

The main objective of the present study is to examine the position of corporate governance, transparency, accountability in the functioning of HLL & GODREJ and to suggest effective guidelines for excellent corporate governance practices, transparency and business ethics. However, some of the allied objectives of the present study are:

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Explains the concept of corporate governance, its origin, need and significance.

To discuss the fundamental principles of corporate governance, transparency and mechanism for ideal governance.

To assess the position of corporate governance in India and the position of social responsibility of corporate sector business with ethics, values and moral standards of companies and their management.

To examine the recent developments in the field of corporate governance with certain case studies on corporate governance.

To evaluate the CII (Confederation of Indian Industry) code of corporate governance, SEBI code of corporate governance and other regulatory measures of C.A. Institute, C.S. Institute, FICCI, ASSOCHAM, P.H.D., and other bodies.

Finally, to submit comprehensive report with suitable recommendations for the strict compliance of corporate sector, especially private sector units.

The present research is based on the new concept of business ethics and corporate social responsibility in the form of corporate governance which has assumed great significance in the present times. The concept of corporate governance is a new term in
management literature which was coined by Cadbury Committee in England in the recent past. The researcher intends to study corporate governance and its various issues with special reference to HLL & Godrej Group which are epitome of private sector FMCG enterprises. The researcher has examined and appraised all these aspects at length in the present study and has submitted several suggestions in the end of the study after his observations and findings. The researcher hopes that his findings would be found worth acceptable to HLL and Godrej managements.

3.2 DETERMINATION OF RESEARCH DESIGN.

The researcher, in this project does not depend upon a particular research design. He has chosen several designs for the discussion of the present study. Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible yielding maximal information with minimal expenditure of effort, time and money. Just as for better, economical and attractive construction of a house, we need a blueprint (or what is commonly called the map of the house) well thought out and prepared by an expert architect, similarly we need a research design or a plan in advance of data collection and analysis for our research project.
Research design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of staff, time and money. Preparation of the research design should be done with great care as any error in it may upset the entire project. Research design, in fact, has a great bearing on the reliability of the results arrived at and as such constitutes the firm foundation of the entire edifice of the research work.

Even then the need for a well thought out research design is at times not realised by many. The importance which this problem deserves, is not given to it. As a result, many researches do not serve the purpose for which they are undertaken. In fact, they may even give misleading conclusions. Thoughtlessness in designing the research project may result in rendering the research exercise futile. It is, therefore, imperative that an efficient and appropriate design must be prepared before starting research operations.

The design helps the researcher to organise his idea in a form whereby it will be possible for him to look for flaw and inadequacies. Such a design can even be given to others for their comments and critical evaluation. In the absence of such a course
of action, it will be difficult for the critic to provide a comprehensive review of the proposed study.

Keeping in view the research problem and its significance and far reaching effects, the researcher has selected observational methods in the study supported by statistical design. The researcher has taken into consideration the statement of the research problem, suitable procedures and techniques for gathering information, population to be studied and methods to be used in processing and analysing data. On several visits to the various offices of HLL and Godrej, the researcher had interaction with the accounting people of top position in these organisations. The discussions and interviews proved of immense value to the researcher. Side by side, researcher made observations and gave practical suggestions to accounting people of these organisations.  

3.3 REVIEW OF LITERATURE AND RESEARCH WORK.

The present research problem is a new subject of study, as such, quite good number of standards books are not available on the subject. The observations made by various committees and commissions are of interesting and are of importance. They have

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been examined and reviewed by the researcher. The standard literature on the subject is short and there is quite paucity of critical research studies and excellent articles. However, whatever literature is available on the research problem, has been reviewed by the researcher. The academicians and professionals have started taking interest in this field and it is hoped that there would be quite good number of studies in future.

The Corporate Governance (Modules of Best Practices) (2003), published by the ICSI with the help of Taxmann Publications, proved of ponderous value to the researcher in getting conceptual as well as practical aspects of study. Various reports by RBI, SEBI, Kumar Mangalam Birla Committee, Narayana Murthy Committee, Naresh Chandra Committee have also been examined by the researcher from time to time. The recommendations, given by the Confederation of Indian Industry, have also been taken into consideration by the researcher.

Dr. Surendra Kumar, Sr. Vice President RBEF, did a comprehensive study on Corporate Governance (2000), published by Galgotia Publications, New Delhi was, perhaps the first comprehensive study on this issue. He discussed conceptual as well as practical aspects of corporate governance with certain case
studies. But did not apply it on some big organisation. However, the study got good accolades from academics and professionals.

Professor Peter Drucker, a great management guru did laudable work on this issue and submitted an excellent article on ‘managing the Future’ in 1992. Dr. Gopala Swamy (1998) submitted a research study on corporate governance in 1998, which was published by Wheeler Publishers.


Rangarajan C Dr, “Corporate Governance – Some Issues”, Indian Management, February 2000, was a commendable effort on the problem and the researcher thoroughly studied and got useful hints on the problem.
The article by Seshaiyah K, "Business Values and Ethics", Indian Management, July 1999, was also quite useful and gave certain tips to the researcher.

The article by Sodarn, Dr. Kailash, "Transparency in Corporate Governance", Indian Management Vol. 38, No.10, October, 1999, was examined by the researcher and got valuable directions from the article.

Besides, the above studies and articles, the researcher took sufficient material from standard management books by various management scientists of America, Europe and India. Japanese TQM books by Taguchi, Crossby, Kaoru Ishikawa, Bill Conway and W.G. Ouchi and some other books by Deming and Juran were also studied by the researcher for conceptual clarity and various other aspects of corporate governance and TQM philosophy.

### 3.4 METHODS OF COLLECTION OF DATA.

The present study, being a mixture of various research designs, makes use of both the primary as-well-as secondary data. The researcher strived hard to collect as for as possible, reliable and most appropriate information for the purpose of development of thesis and for the purpose of analysis of information and their
interpretation. Facts, information or premises, systematically collected and formally presented for the purpose of drawing inferences, may be called data. Statistical information collected, compiled and presented for the purpose of establishing appropriate relationships between variables may also be included in the data which, whether statistically processed or not, play a very vital role in the research and analysis of management problems, as they do in any other area of investigation. This is the rationale of data collection in research.

Both primary and secondary data may be used for the purpose of analysis. The first-hand information bearing on any research, which has been collected by the researcher or his agent or assistant may be called primary data. These are original observations collected for the first time. Such data facilitate original investigations and observations, leading to useful and valuable results. The results, which are based on primary data, are bound to be empirical and of great utility value. The primary data, collected and compiled without any bias, are more reliable and dependable, and are accurate and apt for specified investigations. Once the primary data have been put to use, the original character of these data disappears, and they become
secondary. The data which are primary at one time point are, therefore, bound to become secondary at a later stage.\footnote{Dr. K.V. Rao: Research Methodology in Commerce & Mkt., Sterling Publishers, New Delhi, 2005.}

The researcher is of the opinion that data collection is the process of obtaining valuable and reliable information for purposes of research. As the secondary data consist of data from secondary sources, they may be obtained either personally or by post and may be presented and interpreted. The actual task of the researcher is, therefore, to collect the primary data, either by census survey or by sample survey. The latter is the most popular method of collecting primary data.

However, there are certain occasions when direct personal observation is not possible; and when the whims and fancies of the observer may affect the accuracy of the result. In such cases, it would be better for the researcher to be satisfied with either the indirect oral examination method or the schedules and questionnaires method. Persons who are supposed to have a correct knowledge of the actual situation, or people may be tapped and the relevant information collected, which is called indirect oral investigation. This method may not be very fruitful on, many occasions, for, at least on some occasions, the informants are highly biased. The schedules and questionnaires method is,
however, one of the most commonly used methods for the collection of data.

According to Cavlin F. Schmidt, “a statistical population or universe may consist of attributes, qualities, or behaviour of the people, the behaviour of inanimate objects such as dice or cities or city blocks, households or dwelling structures, the day’s output of a factory, or in the opinions of the electorate of an entire nation.”

The data collected for the present study have been obtained by the researcher himself with the help of surveys and visits to HLL and Godrej. The researcher held various discussions, interviews, to collect relevant information from the executives and managers connected with the problem. The researcher observed that quite a good number of information were either not responded properly or concealed or manipulated by certain officials.

As such, the researcher faced some difficulties in obtaining certain financial information on corporate governance. However, made a reasonable standard of accuracy about data on corporate governance in HLL and Godrej. The annual reports of HLL and Godrej proved quite useful to the researcher. Time to time reviews by the editors of Economic Times, Financial Express,
Hindustan Times about HLL and Godrej proved quite significant to the researcher.

3.5 USE OF VARIOUS TOOLS OF RESEARCH AND STATISTICAL METHODS.

3.6 OBSERVATIONS AND ANALYSIS PART.

The researcher has given his observations, findings and their analysis in the concluding part of the study. He has also submitted his recommendations to the management of the organisations so that HLL & Godrej become a personification of perfection in respect of corporate governance, social responsibility and in the discharge of its social and business obligation to the various stakeholders like shareholders, consumers, investors, debenture holders and financial institutions.

In every research study, the researcher may formulate some hypotheses which are tested with the help of qualitative and quantitative techniques. The hypotheses are presuppositions and assumptions by the researcher. Hypothesis is an important part of research. It is a formal question before a researcher to resolve and prove because quite often a research hypotheses is a
predictive statement, capable of being tested by scientific methods that relates an independent variable to some dependent variable.

In fact, hypothesis testing is a strategy or deciding whether a sample data offer such support for a hypothesis that generalisation can be made. In the present study, the researcher assumed that good corporate governance practices need to be emphasised in the business organisations. As for as HLL and Godrej companies are concerned, they are well managed and are doing a lot for social benefits and are practising relationship marketing practices, green marketing practices and consumer participation programmes. The annual reports of HLL and Godrej are considered quite informative, educative and factual.

The researcher assumes that HLL and Godrej are enlightened business firms with commendable business objectives, corporate mission and strategic planning. However, there is no end to the improvement and growth. The adoption of TQM and its various components like PDCA Cycle, Benchmarking Activities, Corporate Re-engineering Programmes, Strengthening QC's and Innovative and Dynamic Leadership and Employees Empowerment Programmes are also needed to support excellent corporate governance practices. Quality awards, quality audits, visionary leadership, corporate culture and quality of work life are
also additional issues which have been suggested by the researcher to the managements of HLL and Godrej.

3.7 REPORT WRITING

Report is the end product of researcher's research project. The report is submitted at the end of the study along with observations, findings and their analysis. The report is always analytical and is followed by suitable recommendations by the researcher and also the researcher gives scope for further researches in the allied areas.

It is most proper to examine the research report here since research is one of the main topics of discussion in this thesis. A research study culminates in report writing, which is a tool for communicating the various aspects of the study, viz., the problem or topic investigated, the method employed to investigate, its objectives scope and limitation, etc.

However, before writing the report, proper report planning is essential. Report planning should take into account such details as defining the problem, the purpose of the report, tracking the material collected, identifying the utility of the report, and so on. The ability to write effective reports is one of the most useful skills
a researcher can acquire. In this connection, Brown observes: "We say it as simply as we possibly can, and that is, that a report is a communication from someone to another who wants to use that information. The report may be elaborately formal, it may be a letter, or in a great many organisations, it is simply a memorandum; but it is always planned for use".

The usefulness of a report is the basic requisite of any research report. For example, a study that deals with market segmentation for a company should report on the exact distinction between customer groups and their needs for the purpose of subdividing its market into specific subsets of customers. Customers are likely to differ in various respects. The report identifies areas for further researcher, if any, and for fresh hypothesis. Analysis and inferences, suggestions and observations, footnotes and appendices etc., should also find a place in the report which should include specific recommendations for the course of action to be adopted. All the necessary informational materials should be presented in the most appropriate manner. It should be purposeful and should take into account the reader and his reading habits and interests.

The final report follows appropriate recommendations by the researcher after analysis of the data. The subject of corporate
governance is a burning problem in the corporate world. As such, the recommendations given by the researcher would not only be useful by HLL and Godrej but by all organisations and the professionals and other professional bodies connected with the problem. The researcher, in this study, has given top priority to the social obligation, business ethics by HLL and Godrej. The various programmes by HLL and Godrej connected with these aspects have been examined by the researcher and have taken into consideration in forming opinions and far the purpose of recommendations.