



VILNIAUS GEDIMINO TECHNIKOS UNIVERSITETAS  
VERSLO VADYBOS FAKULTETAS  
FINANSŲ INŽINERIJOS KATEDRA

Ala Kremenčugskaja

**LIETUVOS ĮMONIŲ, LISTINGUOJAMŲ VILNIAUS VERTYBINIŲ  
POPIERIŲ BIRŽOS PAGRINDINIAME SĄRAŠE, VALDYMO SKAIDRUMO  
DAUGIAKRITERIS VERTINIMAS IŠ INVESTUOTOJO PERSPEKTYVOS  
MULTI-CRITERIA EVALUATION OF LITHUANIAN COMPANIES LISTED  
ON VILNIUS STOCK EXCHANGE FROM THE PERSPECTIVE OF  
GOVERNANCE TRANSPARENCY FOR INVESTORS**

Baigiamasis magistro darbas

Verslo vadybos studijų programa, valstybinis kodas 62403S121

Investicijų valdymo specializacija

Vadybos ir administravimo kryptis

Vilnius, 2010

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Duomenys: Lietuvių ir užsienio autorių mokslinė literatūra, Lietuvos įmonių listinguojamų OMX Vilnius pagrindiniame sąraše metinės finansinės atskaitomybės, Pasaulio banko, OECD bei Lietuvos Statistikos departamentu pateikti antriniai duomenys.

Aiškinamasis raštas: Atlikus mokslinės literatūros analizę, apibūdinti įmonės valdymo kultūrą ir ją įtakančius veiksnius, įvertinti skaidrų įmonės valdymą, jo įgyvendinimo svarbą investuotojui bei gaunamus rezultatus priklausomai nuo šalies kultūros, lanktumo ir ekonominės situacijos. Pristatyti institucijas, kurios teikia siūlymus ir prižiūri skaidrų įmonės valdymą. Įvertinti Lietuvos situaciją įmonių valdymo skaidrumo klausimu: raida, įstatyminė bazė. Remiantis moksline literatūra nusistatyti kriterijus ir atlikti įmonių listinguojamų pagrindiniame OMX Vilnius sąraše daugiakriterį vertinimą SR, SAW metodais bei įvertinti ekspertų nuomonę. Gautus rezultatus palyginti su esamų ir būsimų investuotojų nuomone. Remiantis statistiniais duomenimis ir finansiniais rodikliais įvertinti įmonių valdymo skaidrumo įtaką investiciniam patrauklumui. Pateikti išvadas.

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Autorius **Ala Kremenčugskaja**

Vadovas dr. **Jelena Stankevičienė**

**Kalba**



Užsienio



Lietuvių

### **Anotacija**

Baigiamajame magistro darbe atliekamas daugiakriteris įmonių, listinguojamų Vilniaus vertybinių popierių biržoje, valdymo skaidrumo vertinimas iš investuotojo perspektyvos.

Įvertinama valdymo skaidrumo svarba šiuolaikinei ekonomikai, jos įtaka investuotojo sprendimams. Nustatomi veiksniai lemiantys tinkamą valdymo skaidrumo raidą. Pristatomos institucijos atsakingos už efektyvų skaidraus valdymo direktyvų įgyvendinimą. Išanalizuojama Lietuvoje susiklosčiusi situacija ir veiksniai, turėję tam reikšmingos įtakos.

Remiantis SR ir SAW matematiniais metodais bei ekspertų skaičiavimais, įvertinamas Lietuvos ekonominės situacijos tinkamumas skaidrios įmonės valdymo koncepcijos įgyvendinimui. Taip pat, įvertinama dabartinių bei būsimų investuotojų nuomonė apie Lietuvos įmonių skaidrumą. Gauti rezultatai palyginami su įmonių bei vertybinių popierių rinkos finansiniais rodikliais, remiantis koreliacijos koeficientu nustatoma skaidrumo ir investicinio patrauklumo priklausomybė.

Išnagrinėjus teorinius bei praktinius skaidraus valdymo aspektus iš investuotojo perspektyvos, pateikiamos išvados ir siūlymai.

Darbą sudaro 6 dalys: įvadas, teorinis, praktinis, tiriamasis – analitinis skyrius, išvados ir siūlymai, literatūros sąrašas.

Darbo apimtis – 68 p. teksto be priedų, 16 iliustr., 12 lent., 63 bibliografiniai šaltiniai.

**Prasminiai žodžiai:** įmonės valdymas, skaidrumas, daugiakriteris vertinimo metodas, investavimas, besivystanti ekonomika, Lietuva.

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### **Annotation**

Transparency of Lithuanian companies listed on Vilnius Stock Exchange from the perspective of investors is evaluated by multi-criteria methods in the final master dissertation.

The importance of corporate governance culture and significant influence of transparent governance is defined for current and future investors according to the culture of company management, flexibility and economic situation. Moreover, responsibilities and requirements of EU and OECD for fluent corporate governance development are introduced.

Transparent company governance is evaluated regarding to multi-criteria methods embracing SR, SAW and Experts estimations. Current and future investors opinion was evaluated and compared with provided investigation. Therefore, relation between investigation and companies' financial data was identified regarding to the correlation coefficient.

At the end of the study conclusions and suggestions are provided.

Structure: introduction, theoretical part, summary of questionnaire and investigation, conclusions, suggestions and references.

Thesis consists of: 68 p. text without appendixes, 16 figures, 12 tables, 63 bibliographical entries.

**Keywords:** company governance, transparency, multi-criteria evaluation method, investment management, emerging economy, Lithuania.

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## **ABBREVIATION**

AGM – Annual General Meeting

BOD – Board of Directors

CEO – Chief Executive Officer

CG – Corporate Governance

EU – European Union

FDI – Foreign Direct Investment

GDP – Gross Domestic Product

IFA – International Financial Accounting

IT – Information Technologies

NATO – North Atlantic Treaty Organization

OECD - Organization for Economic Co-Operation and Development

OSHA - Occupational Safety and Health category assesses

SAW - Simple Additive Weighting

SME – Small and Medium Enterprises

SR - Sum of Ranks

TMT – Transparency Management Tools

## INTRODUCTION

Reliable corporate governance has grown globally due to the convergence of scandals worldwide, the Asian economic crisis which began from East Asia and rapidly spread to Russia, Brazil and other areas of the globe, the transition to the market economies by many countries, the evaluation of the new global economy. Systematic failure of investor protection mechanism and weak capital market regulation, lead to failure of confidence, trust that spread from the individual firms to entire countries.

Organization for Economic Co-Operation and Development reveal and advanced this trend by issuing the OECD Principles of Corporate Governance, which were met with widespread international acceptance.

Effective model of corporate governance is a fundamental requirement for the development of an advanced economic system, which is able to generate transparently and effectively a long term value, on the microeconomic side as well as on the macroeconomic level.

Transparency has become an important aspect of risk management. Creditors and investors consider good governance and transparency as a sign of company strength. Better management decisions, better performance, and a lower cost of funds are result of active information dynamic, and reflect in the investment manner.

Lithuanian is listed as a country of the emerging economy and provides enormous opportunities for investment and growth. Well-operating corporate governance is of substantial importance for both local firms and external investors. New view of investors, confidence and contribution to companies and firms of Lithuania could be supported by the corporate governance development. Improvement in corporate governance increase access to investment capital and enhance growth.

Development of the Lithuanian transparent company governance was introduced by the Vilnius Stock Exchange in 2006 as a one of the requirements to the listed companies. The first changes revealed in during the first six months by the significant amount of investments, GDP growth, and reduction of unemployment.

Therefore, **the target of the final dissertation** is to evaluate the impact of company governance transparency on companies listed on Vilnius Stock Exchange from the perspective of investors.

Additional tasks should be resolved for the revealing main target:

1. To identify the importance of corporate governance culture creation, approaches and implementation methods of the transparent company governance.
2. To notify the significant role of transparency for the economic growth and attitude of investors.
3. To estimate appropriation of the Lithuanian investment climate, economic background and activities for introduction of transparent company governance.
4. Regarding to questionnaire, to determine the attitude of current and future investors towards Lithuanian companies' transparency.
5. To evaluate the Lithuanian companies from the perspective of their governance transparency based on multi-criteria method and experts involvement.
6. To reveal the relation between the company governance transparency and investors decision to invest.

**Methods used for investigation are listed below:**

1. Original and collateral data, moreover articles and analysis of scholars and researchers.
2. Analysis of legislation.
3. Statistic analysis methods.
4. Experts' estimation and questionnaire.
5. Figures and tables.

Dissertation contains three main parts, which define the importance of the corporate governance and influence of investors' decision to invest.

The first chapter introduces significant role of the transparent company governance toward the development of positive investors' opinion, historical background and improvement of transparency dynamic. The following chapter reflects opinion of questionnaire respondents identified as the current and future investors. The third chapter reveals the result of the multi-criteria evaluation and experts' estimation towards the transparency level of the companies listed on Vilnius Stock Exchange. Moreover, the substantial relation between the multi-criteria evaluation of company transparency and financial data would be investigated and applied to establish the tendency between the transparent governance and attitude of investors.

**Investigation contains the following stages**

1. Determination of the main problem and tasks.
2. Development of the investigative plan.
3. Analysis of the articles as well as selection of the significant aspects, conditions and circumstances.
4. Significant changes of the environment and conditions and their influence for the defined tasks.
5. Comparison of investigated methods and description of the estimated results.
6. Conclusions.

**Importance of thesis.**

Evaluation of the new global economy, reduction of trust because of the scandals and financial crisis implementation, growth of multi-national companies – all these variations decreases the confidence and generates uncertainty among the investors. Company governance transparency is considered as one of the best solution for confidence and trust recovering of society, of current and future investors.

Therefore, the current investigation introduces new aspect of the appropriate company management by the development of the transparent governance, reveals the implementation differences across the countries, proves and confirms the significance of the transparent company governance for the decision to invest of the present and future investors.

Chosen multi-criteria evaluation defines the main criteria for the transparent company and ranks Lithuanian companies listed on Vilnius Stock Exchange. Moreover, the significant relation between the transparent governance and attitude of investors would be established and described.

## **1. CORPORATE GOVERNANCE**

Reliable corporate governance has grown globally due to the convergence of scandals worldwide, the Asian economic crisis which began from East Asia and rapidly spread to Russia, Brazil and other areas of the globe, the transition to the market economies by many countries including and Lithuania, the evaluation of the new global economy, and the growth of multinational companies (44, 2001). Systematic failure of investor protection mechanism and weak capital market regulation, lead to failure of confidence, trust that spread from the individual firms to entire countries (15, 2005). Organization for Economic Co-Operation and Development reveal and advanced this trend by issuing the OECD Principles of Corporate Governance, which were met with widespread international acceptance.

Nowadays, corporate governance is a subject of paramount importance. Good or bad results depend on the way of governance systems operate.

Comprehensive definition of the corporate governance is not easy to find, in fact that it is highly complicated, unclear, inconsistent, and subjective.

According to Aquilera & Jackson (2003), corporate governance describes the structure of rights and responsibilities among the parties that have a stake in a firm. Similar view was expressed by M. Bandsuch, L. Pate & Thies (2008), there corporate governance (CG) refers to the variety of principles and practices that direct the core processes and relationships of a business. More specifically, corporate governance reflects the formalized values and procedures implemented by the business's recognized authority (e.g., owners, directors, and managers) in its various operations and interactions with shareholders.

Moreover, M. Bandsuch, L. Pate & Thies (2008) highlight the importance of corporate social responsibility, business ethics and organizational culture for the corporate governance. Corporate social responsibility refers to social contract between business and society as the role and responsibilities of business to advance the well-being of the broader community. Business ethics refers to the application of philosophical principles to business decisions in order to help determine which of its policies and behaviours are acceptable or not. Organizational culture is described as the shared beliefs, norms, values, assumptions and patterns of behaviour within an organization (27, 2005). However, perception of social responsibility, business ethics and organizational culture reflects differently according to the environment in which organization operates. What differs from one country to another, and from one culture to another, is the way CG principles are specified and fine-tuned in order to fit differences in each context and to better reach the objectives expected in its application. In this sense, each continent and each culture should "learn from itself." Visa versa,

Borgia (2005) assumes that common assumption should be considered to every corporation or institution despite the origin or location.

With regard to OECD Principles, corporate governance involves a set of relationships between a company's management, its boards, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in interests of the company and its shareholders and should facilitate effective monitoring. P. Montagnon adds that "Good governance means organizing companies so that they make robust decisions and manage risks in ways that create value for their owners over the long term. Shareholders have an important role to play in this because they are part of the accountability chain and as owners they are ultimately responsible for what happens." (17, 2008) In general, appropriate organization management depends on the company ability to create and develop transparency motion between inside and outside. The presence of an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy (12, 2008; 18, 2004; 46, 2004).

Summarizing, corporate governance is a guidance and management structure aligning and organizing ownership management and business management (17, 2009), which is expressed in terms of "legality, certainty and transparency" and as result attracts investments and generates higher profitability – it is an engine for additional value creation (25, 2008).

## **1.1 Creation of a Governance Culture<sup>1</sup>**

Effective model of corporate governance is a fundamental requirement for the development of an advanced economic system, which is able to generate transparently and effectively a long term value, on the microeconomic side (corporation level) as well as on the macroeconomic level (a country's economy) (15, 2005).

International organizations place growing attention on the definition and diffusion of corporate governance principles, especially by promoting them in countries with recent involvement in the international competition. As capital markets become increasingly competitive, companies

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<sup>1</sup> This chapter revises following articles: Borgia (2005), OECD (2004), Baltic institute web page, M. Bandsuch, L. Pate & Thies, (2008), Newby (2001), Risk Metrics Group (2009).

which practices sound corporate governance will have a strong competitive advantage over other companies which have failed to understand its importance (44, 2001).

However, different governance systems launch the corporate governance in different ways:

- Societal expectation – focusing on the interests of employees and stakeholders (suppliers, creditors, tax authorities, communities in which corporate operates). This view predominates in continental Europe and in certain Asian countries (15, 2005; 50, 2009).
- Ownership rights – returning profit to shareholders over the long term is a primer corporate objective (US, Canada, Australia, UK) (15, 2005; 50, 2009; 57, 2009).

Mr. Montagon distinguishes corporate governance framework which establishes accountability chain in two but in relatively different ways mentioned above: management to the board and the board to shareholders. The previous one could be comparable with ownership rights there relationship between board and shareholders contains the primary importance (25, 2008).

### 1.1.1 OECD Principles

In 1999, on the wave of the Asian crisis, the OECD endorsed a set of principles, standards and guidelines fostering CG at the international level. Today, this set of principles, revised in 2004, is considered to be the basic framework for advisable company management.

The OECD Principles build on the four core standards:

- **Fairness.** This Principle emphasizes that shareholders are property owners and they have rights to hold or to convey their interests in corporation. Moreover, assure the certain participatory rights of shareholders on key corporate decisions, such as election of directors, approval of acquisitions or mergers. Minority shareholders rights should be protected.
- **Transparency.** Information necessity is highlighted in case of building confidence, trust, responsibility among the investors and shareholders, monitoring available and attracting new investments. Comprehensive analysis of transparency would be provided beyond in this dissertation.
- **Accountability.** Strategic guidance of the corporation, the effective monitoring of management by the board, boards accountability to the shareholders and the corporation.
- **Responsibility.** Establishment of active co-operation between corporations and stakeholders in creating wealth, jobs, and sustainability of financially sound enterprises.

Summarize OECD Principles, effective corporate governance depends on law, procedures and common practices that protect and ensure secure methods of ownership, information availability, accountability and responsibility monitoring and maintenance.

### **1.1.2 Approach to corporate governance code**

An international standard of corporate governance covers the rights of the shareholder, the equitable treatment of shareholders, the role of stakeholders, disclosure and transparency, and the responsibilities of the board.

The range of legal instructions is provided through regulations, directives, recommendations, and communications (soft law) (25; 2008). Some codes might strictly define independence as the absence of conflict of interest. Corporate governance codes implementation depends on the country and the size of the company (42; 2009).

Companies located in different part of the globe establish business relationships, supply each other and create global network, which arises requirement of worldwide principle based approaches to corporate governance. European Union as well as OECD and other international organizations adopted a principles-based approach centred on the comply-or-explain mechanism. This framework was chosen with respect to different corporate traditions across EU, perception about corporate governance and according to the various markets and/or national legislations (25, 2008).

According to Eddy Wymeersch, chairman of the Committee of European Securities Regulators, “the approach that a country takes must reflect its culture, traditions, business environment, and legal structure. It cannot simply follow what another country did to develop and implement corporate governance practices.” (25; 2008)

Corporate governance codes should be seen within their own legal framework: the level of detail and the comprehensive aspect of a corporate governance code are only relevant when compared to the level of detail of local law. Moreover, the level of detail of a code has to be analysed in relation to the attitude of companies on the one hand, and the objective of the code on the other hand. In order for those elements to be in accordance with each other, i.e. to fulfill the objective set by the corporate governance code, the application of the code needs to be effectively monitored and the recommendations need to be adequately enforced. However, advisable principles were not applied even across the EU Member States.

Implementation problem arises from the misunderstanding and lack of information in which way to introduce the corporate governance codes, as well as a lack of proper training of directors.



### **1.1.3 Effective Corporate Governance results**

Effective Corporate Governance is a key issue not just for developed but more over for developing countries. Well managed Corporate Governance is a significant power for trust and as a result for economic growth.

- Coordinating resources using both within micro and macro level. Resources are involved in production of a high demand products and services, which contains significant, the highest rate of return. The scarce resources should be managed just by the managers who are able to use them effectively and should meet societal needs.
- Attraction lower cost investment capital by improving domestic and international investors' confidence. Rights of capital providers should be protected in order to introduce innovations and drive corporations successfully.
- Corporation is in compliance with the law, expectations of society and regulations. Effective company governance ensures good management by the Management or Supervisory Board and in addition Audit committee, which are responsible for relation between the company and society.
- Corporate governance should not guarantee improved company performance but more rely on company's flexibility to external changes such as business environment, crises or inevitable decline period.
- Reduction of the level of corruption. Transparency and disclosure, effective management is treated as implements to reduce the corruption and to develop obstacles for growth of corruption.

## **1.2. Transparency**

Transparency, it seems, has taken on a life of its own. It has moved over the last several hundred years from an intellectual ideal to center stage in the drama being played out across the globe in many forms and functions. Transparency is not a new issue for corporate governance. It is, and was, high on the agenda of every corporation and organization (15, 2005; 62, 2005).

Transparency is a significant element for good company governance. According to online business dictionary, transparency is "Essential condition for a free and open exchange whereby the rules and reasons behind regulatory measures are fair and clear to all participants", in simple words as Cambridge dictionary says "it is easy to see". Transparency in relation with company governance

is identified by M. Bandsuch, L. Pate and their colleague J. Thies (2008) as one of the key guiding characteristics of honest information to shareholders, investors and relevant stakeholders. Even the OECD Principles (2004) describe transparency as an essential element of responsibility. Responsibility regards to trust, which is an important commodity at all levels of business operations (i.e. investment appropriation) and relationships.

### **1.2.1 Transparency dynamic**

Perception of transparency is sophisticated and depends on position where we are standing on. Traditional – passive understanding where the truth was available for those who seek it is changed by new active understanding which includes new responsibilities on the companies (15, 2005). Information should be accessible and available, easy for an assortment of stakeholders to obtain, clear to understand and comprehend its importance. Transparency is reflection of real-life in real-time (12, 2008).

The corporation will be required, by public expectation, to be actively transparent, in order to avoid being an opaque organization. “Opacity, the opposite of transparency, is defined as the state of being hard to understand. When information is not clear, it is not trusted. When information is hidden, it is natural to believe there’s truly something to hide” (15, 2005). Generally, if investors evaluate organization as an opaque, they would not take risk and invest in company like that.

Transparency about a company’s governance policies is critical. Today, after many scandals and financial crises, the transparency in corporate governance is intersection between the public’s right to know and corporation’s right to privacy. As long as investors and shareholders are given clear and accessible information about these policies, the market can be allowed to do the rest.

A transparent company would disclose such things as a risk management, compensation policies, company indicators, industrial benchmarks, board of directors composition, management structure and responsibilities, environmental impact, ownership structures and influence, commitment to social responsibility, codes of conduct, compliance system, company value and history, human rights protection, occupational health and safety issues, internal controls, investment criteria, pension policy, political affiliations, stakeholders rights and relations, related party transactions.

Transparency is of value in creating and diffusing trust throughout the organization and beyond (62, 2005). Transparency requires constant refinements in response to new market requirements and increasing organizational competencies. Transparency is a journey, not a destination.

This journey, according to Borgia, is Information Transparency Cycle. The information transparency cycle is simultaneously as an industry, an economy and a way of life. The Information Transparency Cycle, in its endless gathering, manipulating, storing, disseminating, archiving, retrieving of information has created the new transparency imperative. The public's right to know is steadily and inexorably eroding the secret, opaque lives of corporations.

The transparency imperative unleashes a perverse mechanism: the more we know, the more we demand to know, the more there seems to be to disclose. The cycle seems endless. Cycle is not a program or a process, but a dynamic imperative that moves transparency beyond financial disclosure into the larger arena of stakeholder communication and the interaction between corporate management and constituencies beyond the shareholder and prospective investor (15, 2005).

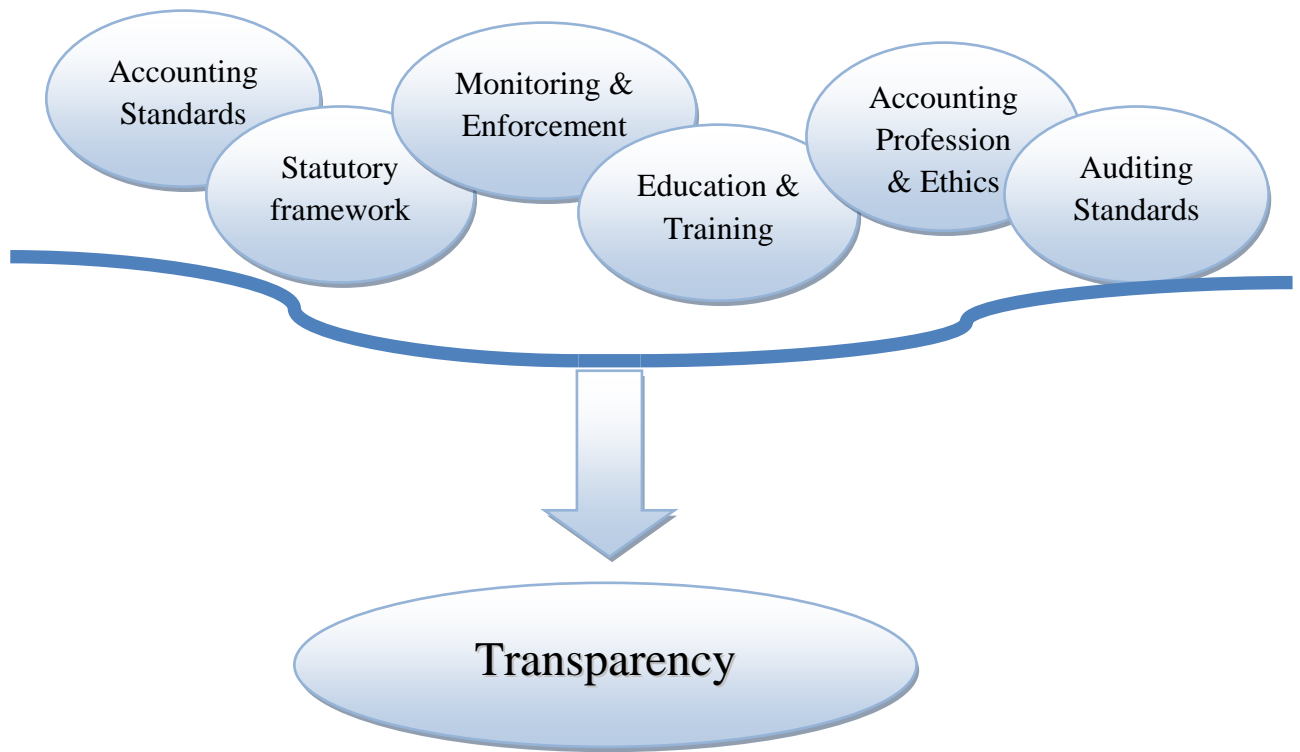
### **1.2.2 A Good Background for a Better Transparency**

Media stories on transparency often focus on what's wrong at the top: chief executive officers (CEO's) who report misleading, or fraudulent financials, secret pacts between high-ranking military officers, or backroom deals among politicians.

While some leaders are culpable, creating a transparent corporation is the responsibility of the entire corporation. To be a truly transparent corporation, four key elements are required according to Borgia:

- A culture dedicated to openness and a commitment to transparency from a corporation's most senior leadership.
- Programs and processes that encourage and ensure openness at every level, that reward transparency and meter out quick and decisive punishment for opacity, obfuscation and fraud.
- Well-trained workers, managers, and administrators at all levels of the corporation with the wisdom, integrity, confidence, and security to do and say what is right and to recognize and act when the corporation or individuals are not doing things that should be done.
- Established means of proactive communication to the corporation's important stakeholders.

Borgia's key elements of transparency are supplemented by International Finance Corporation. The picture below reflects additional pillars of transparency.



**Figure 1.** Pillars of Transparency (25, 2009)

### **1.2.3 Transparency measurement tool**

Transparency is defined as easy to see, vice versa transparency is difficult to evaluate. This reason encourages development of many transparency evaluation models. One of majority is Transparency Measurement Tool. This method assumes transparency in company level in simple way.

The International Association of Business Communicators designed and validated an organizational trust model that identifies competency, openness, concern for stakeholders, shared goals, reliability, frequency of interactions, rewards, and sanctions as significant influences upon trust (28, 2003). DiPiazza and Eccles (2002) proposed Three-Tier model of Corporate Transparency for measuring and reporting information. Tailored in a part on the previous mentioned models, the Transparency Measurement Tool is an evaluative instrument designed to more systematically assess to the level of transparency in as business organization, which ultimately allows the company to decide how to better incorporate transparency into the different dimensions of Corporate Governance.

The Transparency Measurement Tool is intended to be a more nuanced internal management tool, allowing organizations to gauge and improve level of transparency and overall governance

over time. TMT focuses on transparency, a critical and central dimension impacting all main aspects of CG.

In the TMT, numerical scores are given to ten (10) company specific categories, which include management structure, stakeholder voice, and environmental impact, among others. Every criterion contains important information, which is significant part of overall transparency evaluation.

**Table 1.** Transparency Measurement Tool (TMT) (12; 2008)

<u>Scoring:</u> 1. (Unacceptable) 2. (Inadequate) 3. (Minimum) 4. (Good) 5. (Outstanding)	Risk Management	OSHA	Stakeholder Voice	Financial Data	Ownership & BOD Structure	Industry Standards	Environmental Impact	Company Values	Human Rights
Accuracy									
Comprehensiveness									
Relevancy									
Timeliness									
Accessibility									
Clarity									
Responsiveness									
Total Points									

For example the category “Ownership and BOD structure” looks to see how well the company reveals the concentration and forms of ownership (including management holdings), the relative power of minority shareholders, external holdings of large stockholders, the size, composition and independence of the board of directors, board leadership and committees, CEO and chair arrangement, election and succession process, related party transactions, and compensation packages. Meanwhile, Occupational Safety and Health category assesses the accuracy and accessibility of information about the company’s workplace accidents, safety policies and procedures, lost workdays, worker’s compensation expenses, and types and uses of hazardous and/or unsafe materials.

Each of the ten categories is evaluated and scored according to six aspects of transparency on a scale from 1 (unacceptable) to 5 (outstanding). The scores are then total for an overall transparency score and corresponding rating, reflecting the individual category's and overall company's level of transparency. Scores will be combined to provide a transparency rating of:

**Opaque** (10 – 24)

**Translucent** (25 – 39)

**Transparent** (40 – 50)

TMT is addressed to availability and accessibility of company information to the market, which applies information where it contains demand. TMT creates a way to improve the flow of information between issuers and investors by revealing the gap of transparency balance.

TMT model would be developed as a measurement tool for the public opinion about the Lithuanian corporate transparency and improvement guidelines in provided questionnaire.

#### **1.2.4 Effective transparency results**

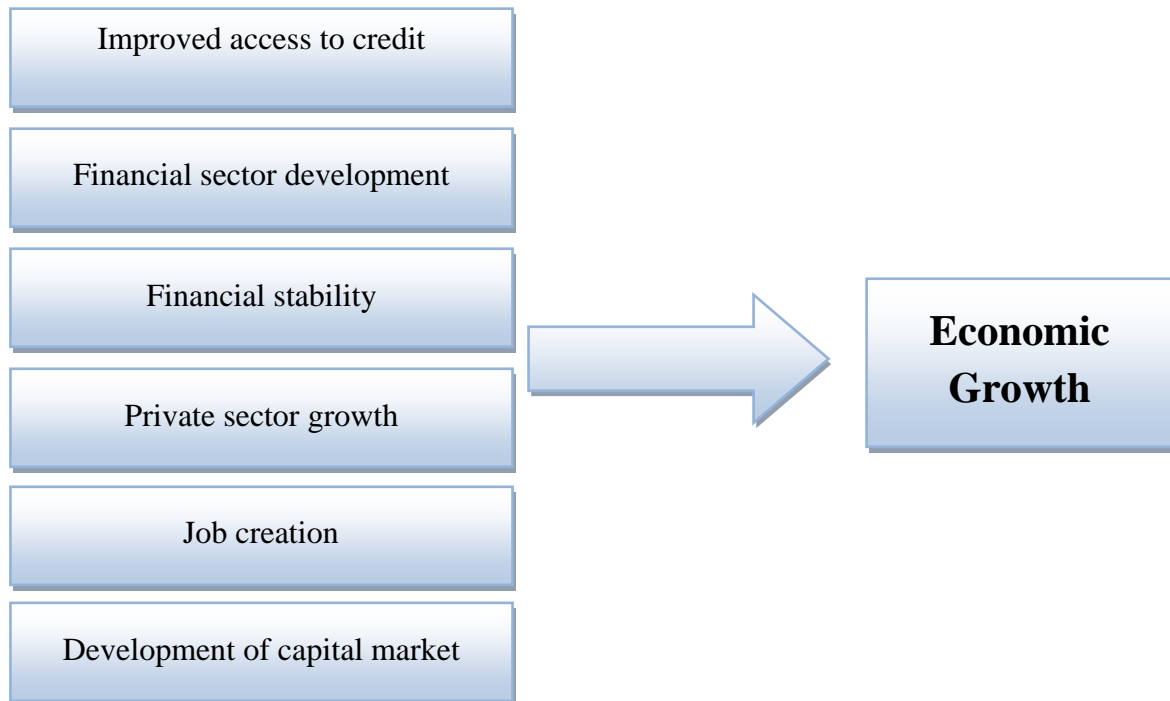
International Finance Corporation highlights the importance of transparency as risk and cost of capital leverage (26, 2008).

Benefit and purpose for transparency in Corporate Governance is to rebuild the trust that business stakeholders lost during the recent rash of deceptive practices and secretive scandals. Trust is invaluable asset that impacts and sustains not only an individual business (formally recognized as “goodwill” in some financial statements), but arguably the entire free market system. Trust, rooted in the ethical leaders and transparency, influences employee loyalty and job satisfaction, which in turn contribute to organizational adaptability and productivity (28, 2003)

Transparency has become an important aspect of risk management (41, 2001). Creditors and investors consider good governance and transparency as a sign of company strength. Poor governance and lack of transparency is treated as risky. Since stakeholder require an increased level of confidence in the company's transparency to counteract their post scandal suspicious of business, transparency and CG should improve business relationships with external stakeholders (such as customers, suppliers, creditors, and the local community, which are then helpful to the overall market economy) (12, 2008).

Better management decisions, better performance, and a lower cost of funds are result of active information dynamic, and reflect in the investment manner. As an example of this milestone, it is investors' decision to pay more for the share of a well-governed company than for those of a poorly governed company with comparable results. This opinion is supported approximately by the 80% of investors (45, 2009).

Majority advantages of transparency are reflected in the example of Yukos “which about 18 months ago investors were not interested in. The oligarch who runs the company has over the last 12 months introduced proper accounting, reporting and really tried to revamp the corporate governance image. It is also perceive the company talks. As a result of that its share price has quadrupled in the past 12 months.



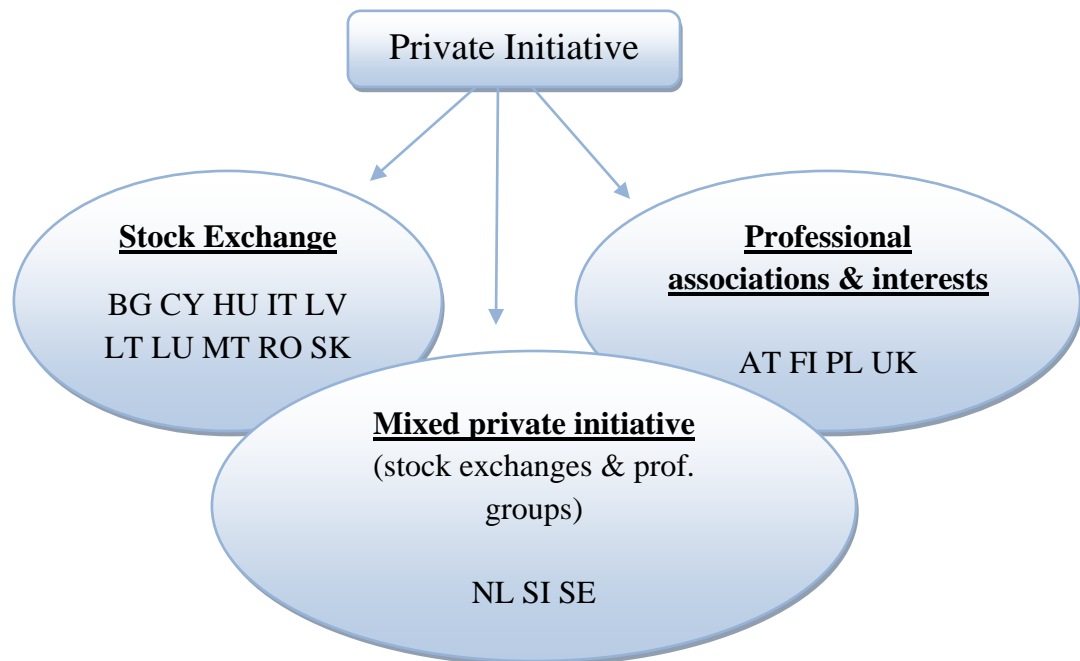
**Figure 2.** Transparency impact on indicators of economic goodwill (25, 2009)

### 1.3 Lithuanian Company Governance

Responsibility, structure of rights, transparency is defined by the rules and codes of the corporate governance. Researches dealt with various mechanisms and techniques that can protect shareholders and stakeholders from self-interested executives and proposed emerging economies as the unique opportunities and challenges for governance practices and research.

Emerging economies, such as Lithuania, provide enormous opportunities for investment and growth. Well-operating corporate governance in emerging economies is of substantial importance for both local firms and external investors. In comparison with developed countries, companies of emerging economies are discounted in financial market because of their weak and fluid governance (40, 2000). New view of investors, confidence and contribution to companies and firms of the emerging market could be supported by the corporate governance development. Improvement in corporate governance increase access to capital and enhance growth, which will create opportunity for economic gains (50, 2008).

Lithuanian decision to improve company governance is based on comply-or-explain model which is suggested by EU. Implementation started from the companies listed in Vilnius Stock Exchange 6 years ago.



**Figure 3.** Origin of the initial corporate governance code initiatives (51; 2009)

As it is simple to understand, just minority Lithuanian companies accept corporate governance concept. Main reason, the Lithuanian legislation does not define the concept of corporate governance. There is no single law which is dealing with corporate governance principles applicable to Lithuanian private companies (43, 2009; 52, 2009). Consequently, Lithuanian market for investors is opaque and investors, especially foreign, are very cautious and wary in adjusting country specific political and institutional landscape (50, 2008).

Background of corporate governance unique opportunities in Lithuania is represented in previous paragraph and could be explain as follows. First, the emerging economies are lack of transparency and reluctant to accept best governance experiences. Secondly, due to differences between West and East Europe, emerging economies are not able to accept from Western institutions all practices, simply, it is not applicable in Lithuanian context. According to Rajagpalan and Zhang (2008), fundamental differences are in ownership structures, business practices, and enforcement standards imply major gaps between formal adaptation and actual implementation. The western experience could reflect excellent result, at the same time the same practice in Lithuania would not be so successful or at all will collapse.



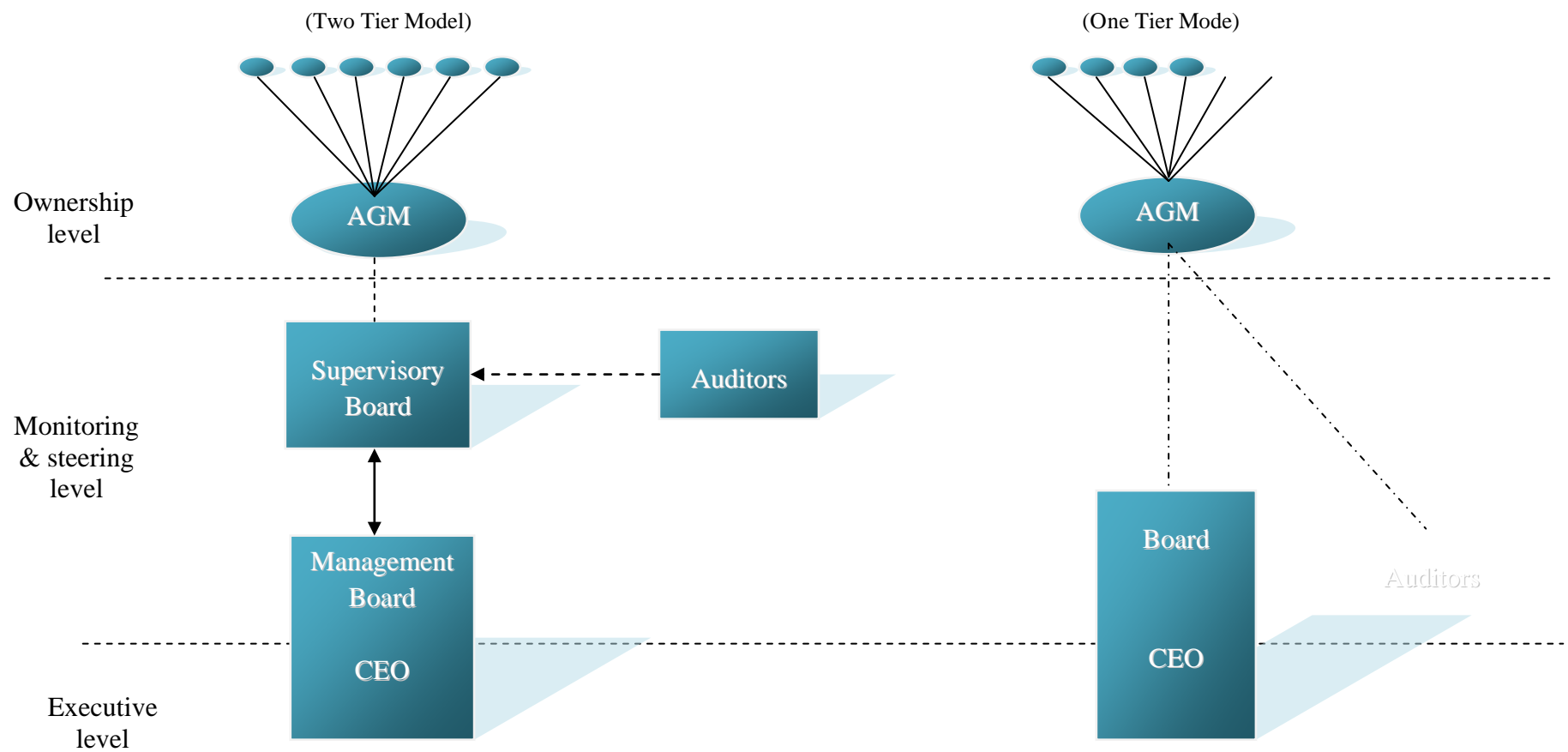
### **1.3.1 One-tier against two-tier model**

Lithuania was selected for EU analyze based on questionnaire of company's governance. Research reflects Lithuania as a private ownership country, where one-tier board structure is more popular. Under this system the Management Board or Supervisory Board contains from the members which are elected by the General Meeting. Despite that functions of board are strictly regulated but transparency case is not reliable on entire assurance.

The Corporate Governance Code emphasizes two-tier model and consider it as more reliable because governance is divided on more units. In one hand, it is as a source for higher level of transparency but from another, one board depends on another board decision in fact that Management Board is elected by the Supervisory Board. Furthermore, Supervisory Board is elected from the non-executives members and the Management Board is composed just from executives. Separation of the boards is experienced as a good practice in developing appropriate balance of power, accountability and improvement of board decision making policy such as independency, transparent management and justice. The board is generally responsible for managing and achieving shareholders requirements, balancing interests between the owners, shareholders and stakeholders.

So far, Lithuania is a small country and small and medium business comes in preference there. Two-tier model is implemented just in several Lithuanian companies. The main reason is consider to be too high cost of this governance type for SME's.

**Figure 4.** Comparison between Two – Tier Models and One – Tier (58, 2009)



### **1.3.2 Driving Forces behind Corporate Governance in Lithuania**

Scholars developed many researches of corporate governance and found various factors, such as foreign direct investment and economic growth, capital flow, corporation capability, investors confidence, implementation of innovations in IT, management, marketing etc., which contribute to the governance reforms, but just few of them are the most important forces driving the corporate governance introduction in developed and developing economies (15, 2005), and could be named as privatization and globalization (50, 2008). This section, will discuss how these forces shape corporate governance reform in Lithuania.

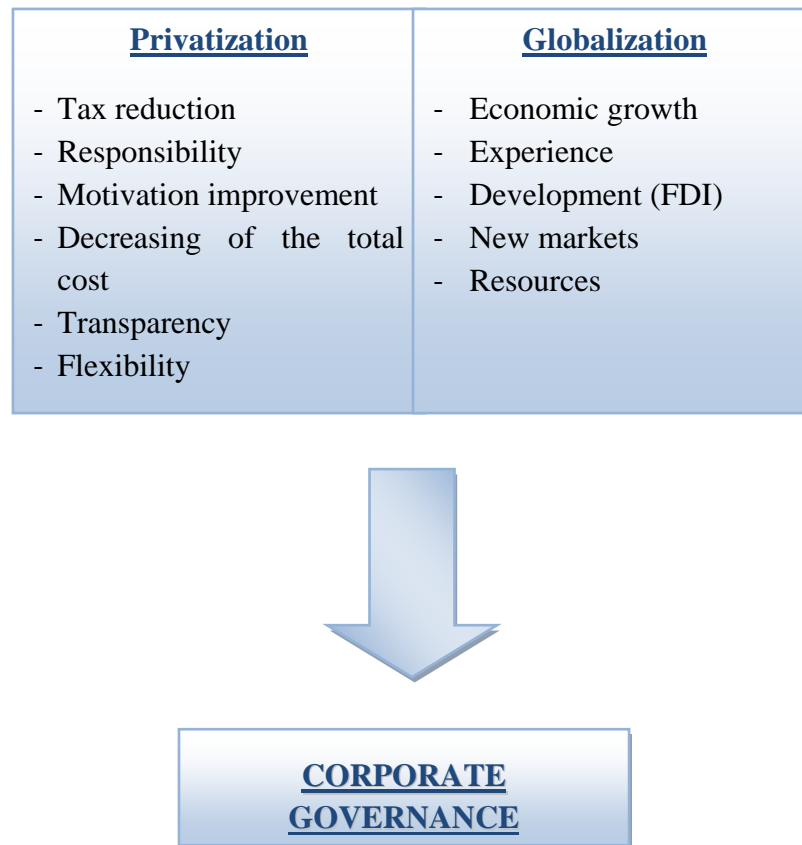
#### **1.3.2 Privatization**

In the past two decades Lithuania has launched ambitious plants to privatize state-owned enterprises. The volume of privatization during the first (1991 September – 1996) and second privatization period (1996 – 1999 October) increased till 6,2 billion LTL (49, 2001). In privatization, ownership is transferred from the state to new private owners, which may include management, employees, local individuals, foreign investors. The new structure of ownership makes corporate governance as one of the most important issue in emerging economies.

Private ownership creates the ability for higher transparency in comparison with state – owned enterprises, increases competition among the companies and produces higher quality products and services. Moreover, privatization is defined as implement to reduce the tax, in fact that private ownership companies have more responsibility and make more accountable decisions for their finance. Because, state – owned companies subsidize their enterprises, provide credits and by dividing the financial liabilities to all companies in the country decreases financial transparency.

Likewise, the private ownership contains motivation importance. Success or failure will reflect directly on the company attractiveness for investors and also on the profit of owner. Private ownership appreciates more effective deal with resources, which allows reduce costs.

From another hand, ownership structure creates the traditional principal agency problem, there executives' self-interests are above the owners' interests or majority shareholders manage company for their wellbeing. As a result, it is necessary to create the effective control mechanism to regulate management behaviour and align management interests as well as design mechanism to protect minority interest (50, 2008).



**Figure 5.** Relation between corporate governance, privatization and globalization (53, 2009)

### 1.3.3 Globalization

Since Lithuania started economic reforms and became a member of EU and NATO, it has been increasingly integrated into the global economy. Lithuania became the most attractive for Sweden, German, Polish, Estonian and Russian investors. Manufacturing involves majority of investments, 28.7 percentages. There are more and more employees in Lithuania from the foreign countries such as India and China who works in IT sector.

Although, Lithuania as an emerging economy is identified by weak corporate governance but foreign investors are attracted by this economy because of lower standards requirements for corporate governance in comparison with parent countries. However, to protect global integrity, foreign investors should promote higher standards in their activities in emerging economies, in Lithuania as well. Moreover, foreign investors have practices in company governance what is a great help in cost monitoring management and enhance enforcement of governance rules in emerging markets. Lithuania is evaluated as high educated country and in difference from India, one of the biggest emerging markets and sensitive about skill intensive, Lithuania is capital intensive economy, where firms are driven their aspiration to foreign investments.

### 1.3.4 Lithuania corporate governance: requirements and reforms<sup>2</sup>

Corporate governance importance during the last 5 – 6 years increases significantly. Lithuanian companies more and more emphasizes the magnitude of transparency, one of the most meaningful aspect of corporate governance. However, corporate governance is not clearly defined by any Lithuanian legislation. Either many kinds of Lithuanian laws deal with corporate governance principles.

Different corporate governance issues referred to a number of the Lithuanian laws, such as Civil Code, Law on Companies, Law on Audit, Law on Financial Statement of Companies, Law on Securities and some other laws regulating activities of specific types of the Lithuanian companies. The law indicates responsibilities, rights and liabilities of shareholders, the board of directors, managers and supervisors.

**Table 2.** Structure of Lithuanian Law (52; 2009)

Lithuanian Laws	Competence	Functions	Obligations	Loyalty	Confidentiality	Structure	Information disclosure	Duties	Complain or Explain
Civil Code	✓	✓	✓	✓	✓				
Law on Companies	✓		✓			✓	✓		
Law on Audit and related regulations			✓			✓	✓	✓	
Law on Securities							✓		
Corporate Governance Code	✓	✓	✓	✓	✓	✓	✓	✓	✓

The statutory provisions on corporate governance are complemented and elaborated further in the Corporate Governance Code adopted by the Lithuanian Stock Exchange in 2004 and in 2006 the revised version was introduced (43; 2009). The Code is not a part of the Lithuanian Company Law. It is of recommendatory nature and in general for the companies listed on Vilnius Stock Exchange. Implementation of the Code does not embrace detailed guidelines and description of internal control procedures which have to be calculated and launched by the companies.

The Corporate Governance statement is incorporated in the annual reports in Lithuania. Reports about the Lithuanian listed companies are provided by the OMX Exchange. Reports are

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<sup>2</sup> Summary of Study on Monitoring and Enforcement Practices in Corporate Governance in the Member States, 23 September, 2009.

very short and contain more information on market level and are very limited on information about the companies' practice.

Majority of Lithuanian companies prefer opt one – tier board structure. Governance is focused on Management Board or either on Supervisory Board. Just several companies implemented two – tier board structure. In previous companies governance is divided for Management and Supervisory Board. In this case, Supervisory Board is appointed by the General Meeting. The supervisory body is responsible for the integral and transparent financial reporting and control systems – risk management.

The Code is applicable and for non listed firms on Vilnius Stock Exchange, companies are encourage to follow recommendations of the Code, however they are not required to disclose how they comply with the implementation of the Code, in fact that cost of compliance is too high for SME's.

The Code requires that listed companies to adhere to the following governance rules:

- Transparent procedures must be established to select the board of directors.
- Management Board or Supervisory Board members are elected for a period not longer than 4 years. Board must be composed of at least 3. Supervisory Board maximum contains 15 members, at the same time The Lithuanian Law on Companies does not indicate maximum number of the Management Board members.
- General Meeting can revoke the entire Supervisory or Management Board or some members.
- The directors' Remuneration Report should be published on the website of a company and disclose the remuneration policy adjusted by the company.
- The audit committee should ensure to provide the annual report and submit to the Register of Legal Entities. In case of non-submission, companies may be imposed by fine in an amount ranging from LTL 1,000 to LTL 10,000 (approx. EUR 300 to 3,000).
- Audit committee formation is required in the public interest entities (banks, Central Credit Union, brokerage firms, insurance companies, investment companies with variable capital, pension funds management companies, investment fund management companies). Audit Committee should be independent and it is restricted to provide audit services to the same company for the period exceeding 7 years in a row, for public interest entity – 5 years.

So far it is obvious that the Code is a set of higher standards and requirements for the companies than majority of them apply in practice. Main recommendations for implementation of the Code to Lithuanian companies can be embrace as follows:

- Lithuania requires the disclosure of information on executive remuneration on an individual basis;
- Lithuania has established the requirement to seek shareholders' vote either on remuneration policy (ex ante) or remuneration reports (ex post). Advisory vote is possible in Lithuania.
- Attendance of smaller shareholders at an Annual General Meeting is in preference. Since generally the biggest shareholders are the ones systematically attend. The overall communication between management and stakeholders should be improved.

Self – regulation trends are relatively new to Lithuanian business environment and it will take some years to obtain the applicable implementation.

## **EXECUTIVE SUMMARY**

Corporate Governance is an essential part of every country, every economy and furthermore of every company. Each and single unit by paying attention to corporate governance importance and implementation necessity step by step improves the attitude of international investors and little by little attracts more investments to the country and develops economic growth.

As a background of successful Corporate Governance is transparency. Transparency is defined as a multiple and dynamic procedure. The new approach of transparency replaces the old one, which was based on the information necessity when it was required. New definition of transparency embraces “real life in real time”.

Transparency is considered as the most important element of Corporate Governance but at the same time it is the most complicate to measure. One of ways is provided by the Transparency Management Tool, which reflects the gap between required and real situation. However, advices for appointed differences are not so easy to define.

Transparency implementation and development is a spur for international investors. Transparency builds trust and attracts foreign investors. The previous one, assure faster adoption of innovation, spread management experience and view of security market.

Successful Corporate Governance is a weapon in corruption battle as well.

Lithuania became a builder of Corporate Governance policy some years ago. Implementation of a new view is voluntarily not mandatory was applied in 2006 and reflects to companies listed on Vilnius Stock Exchange. Small and medium business is advised to integrate the Code but calculation of the integration cost refuses SME's interest to adjust Code.

The importance of the Corporate Governance became significant after the Lithuania was noticed as member of European Union and later on of NATO. Lithuania was admitted as legal

international player and became more accessible for international investors. Global area increased the necessity of higher standards implementation. Transparency is considered as preference.

However, even nowadays there is no single legislation of corporate governance. Different corporate governance issues referred to a number of the Lithuanian laws, such as Civil Code, Law on Companies, Law on Audit, Law on Financial Statement of Companies, Law on Securities and some other laws regulating activities of specific types of the Lithuanian companies.

In case of Lithuanian corporate governance structure, it is necessary to highlight one-tier model, which adjustment is ordinary than two-tier model. The previous one is chosen just by several Lithuanian companies. One-tier model contains either Management either Supervisory Board. Audit committee should be arranged for reports at least one a year.

Gap between the Code suggestions and real implementation does not interfere with Lithuanian consideration as one of the future countries of European Union.



## **2. LITHUANIAN COMPANIES TRANSPARENCY EVALUATION FROM THE PERSPECTIVE OF QUESTIONNAIRE RESPONDENTS**

### **2.1. Data Sample**

Company governance transparency importance from the perspective of investors was analyzed by the multi-criteria method, which contained the SR, SAW and Experts estimations. Chosen 9 criteria reflected four main company governance dimensions such as board structure, financial reliability, shareholders and auditors responsibilities. Research evaluates importance of each criterion. The highest score was estimated to the board structure. Investment was ranked as the less important in disagreement with scholars' literature. Developed research reveals the results based on estimation and analysis of scholars and experts. The following investigation develops opinion of current and future investors.

Study examines the disclosure practices of Lithuanian companies. The questionnaire contains 14 questions, which reflects four main transparent company governance areas: board structure and shareholders responsibilities, financial disclosure and auditors' reliability.

The first group of questions provides information about the organizations type, shareholders rights and responsibilities according to the maintenance of shares and arrangement of the Board Structure. The second group reflects information about the stakeholders' reliability, their relation with organization. The following third section contains information from the financial aspect: reports about the company's activity, auditors' selection frequency, requirements which are basic for the preparation of the financial analysis. The last one group of questions is general to detect the age and gender of respondents.

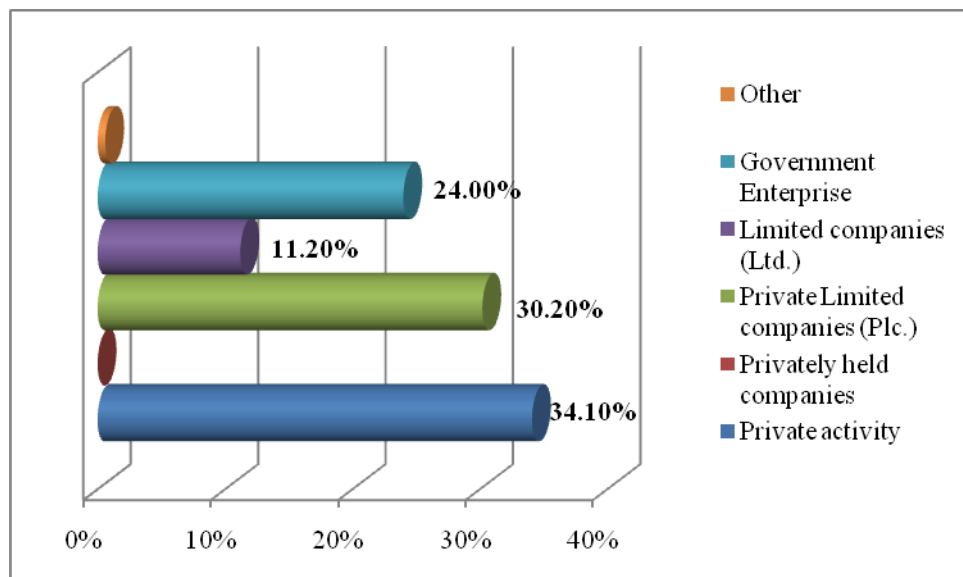
Respondents of the questionnaire are independent and their opinion was not influenced by any external factors from the side of the author. Questionnaire was available on line <http://vvfapklause.vgtu.lt/fik/ValdymoSkaidrumas/index.htm>. Link of the questionnaire was distributed by email.

Majority of respondents are women, in fact that they are more concerned with the social responsibility than men. Moreover, the age of respondents differ from under 25 to 65 (Appendix C). Diversification of respondents assures better reflection of provided questionnaire to the reality.

## 2.2 Descriptive data of Lithuanian companies transparency evaluation

The first group of questions reveals information about the respondents working environment. Majority belongs to the private sectors, most of them to private activity or Private Limited Companies. From the mentioned it is simple to identify, that majority of respondents belong to companies which are not listed on Vilnius Stock exchange and are able to apply company governance Code as volunteers. Unfortunately, companies refuse adjustment. This fact should be emphasized, because as previous investigation determines, even Lithuanian companies listed on Vilnius Stock Exchange do not apply all Corporate Governance requirement in their practice. The second significant fact is that for small and medium companies it is much more difficult to develop CG than for Limited Companies (Ltd.), because of the development cost.

Another important transparent company aspect relates to the shareholders ownership and their responsibilities in Annual General Meeting. Answers of the questionnaire assumes that majority of Lithuanian companies rely on shareholder who owns more that 50 % of company shares. As consequence of this question it is necessary to emphasize the lack of independency and transparency from the position of the rest owners. Hardly, 11.3 % of respondents described their companies as more reliable and less dependent on shareholder's personal opinion. Another significant fact is that even 21.8% of respondents are not informed about the shareholders composition. Reasons could be counted two. One is that respondents are not interested, another is that this information is confidential.

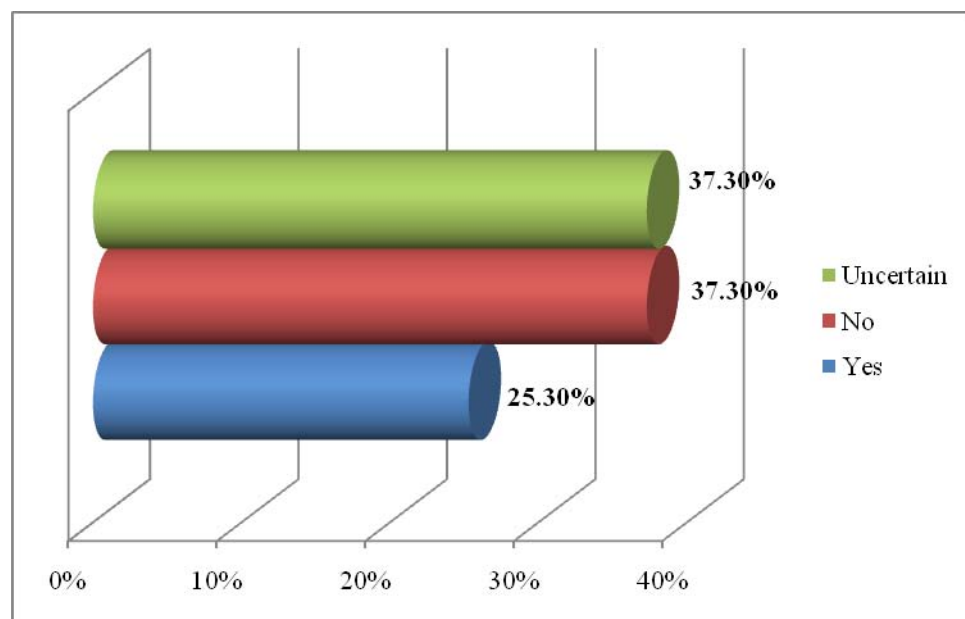


**Figure 6.** Type of Organization

Moreover, from the perspective of shareholders, the purpose of investigation is to identify the origin of ownership. Two options are provided under the mentioned aspect, either the legal entity either the natural person. Ownership of legal entity is controversial. Company managed by another company is less trusted because of the difficulty to evaluate the real company risk from the perspective of investors.

Lithuanian practice announces that still the majority of evaluated companies are owned by the natural person which increases the transparency of Lithuanian companies. Vice versa, high percentage of respondents did not provide any significant answer (Figure 6), that could be counted as reason for investors' confusion.

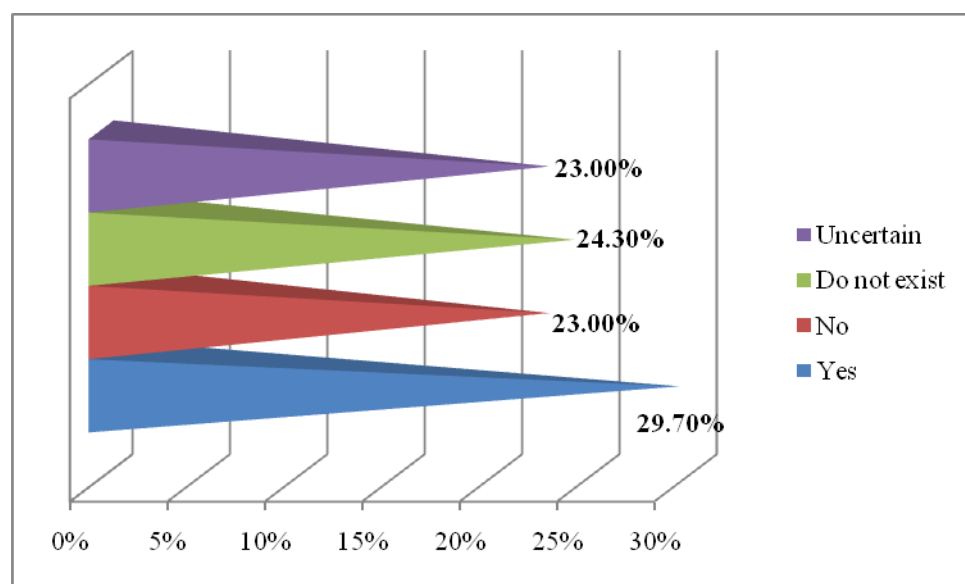
According to Newby (2009), shareholders meetings are ranked as high importance aspect for the transparency of the company governance. Frequency reflects the balance of interests between the shareholders and executives. The fact is that firstly every side is interested to develop their own requirements and the rest comes in second. According to the transparent company governance requirements shareholders and executives should be able manage their interests and develop them in the same direction (Appendix C).



**Figure 7.** Ownership of legal entity

Although, difficulties arise from the opinion disagreement, but more transparent company is counted as containing more independent executives. The Figure 8 reflects the opinion of respondent from the executive board aspect. As it is visible, majority of respondents are not informed about the existence and activities of this board. That is why the following situation would be counted as opaque and as a result reduces companies' reliability from the perspective of investors.

Moreover, it is important to evaluate the company employment policy. Toleration of relatives' recruitment is forbidden or permissible. Despite that Lithuania is a small country, but relatives' participation in companies activities are not confirmed by majority of respondents (Appendix C). Result is quit equal and respectively informs that employment of relatives will be evaluated as the action of the past time. Position of relatives' recruitment diversifies companies among more and less transparent as well. Diversification of employees is adjusted as the background of transparency and at the same time as a positive attitude from the investors' point of view.



**Figure 8.** Structure of Executive Board

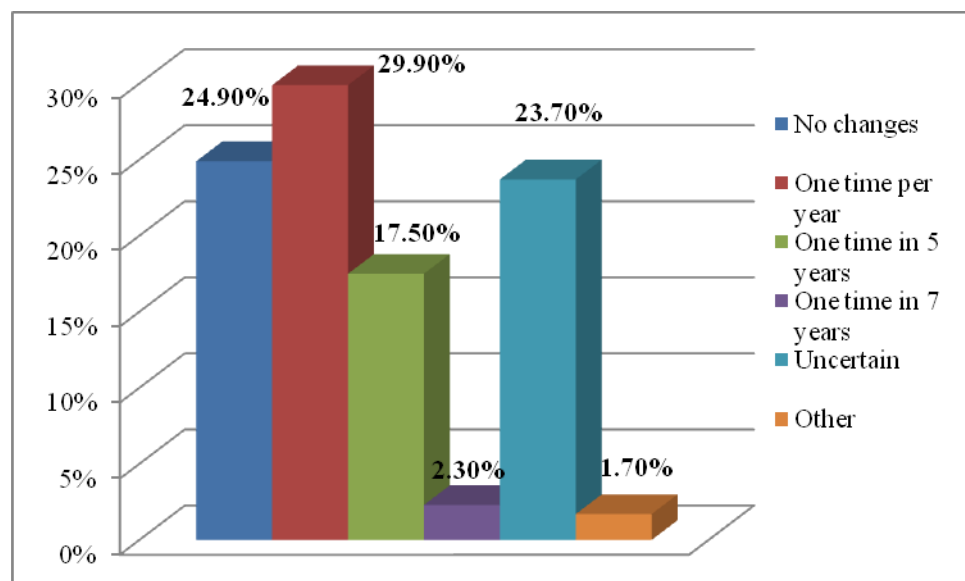
Importance of financial accountability included in one of the four parts of transparency. This aspect provides information about the auditors' selection requirements and process, standards applied on the financial data and Annual report provision.

According to respondents, mostly employees of the company provide reports about the company's financial data. This fact could be proved by the answers of the first question. Majority of respondents are involved in personal activities. This type of the companies is not able to follow the

high transparency standards and hire the independent auditors as usual as it is required because of the high cost. However, Limited companies and part of the Private Limited Companies apply the Company Governance Code and employ independent auditors. Unfortunately, the respondents were not able to mention names of the auditors' companies.

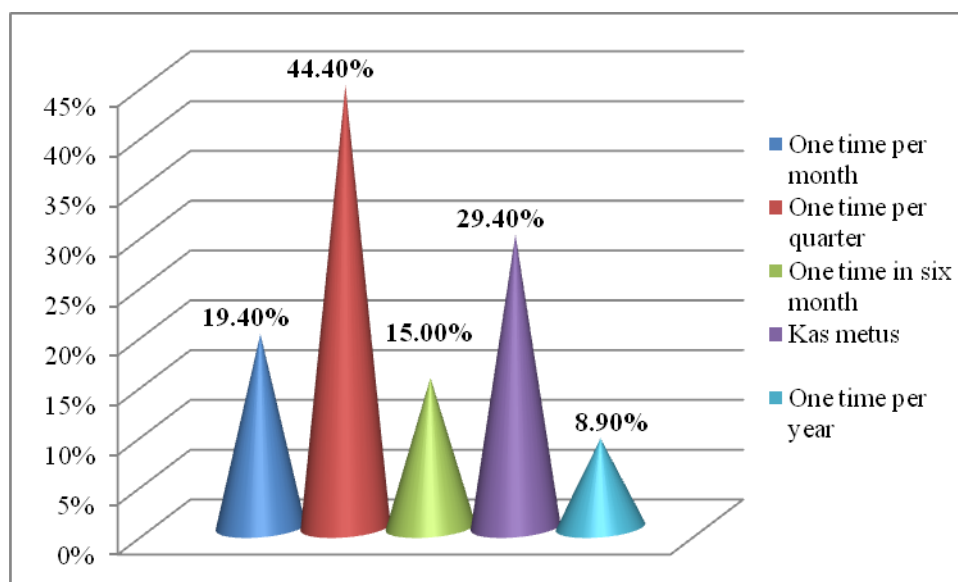
The appropriate arrangement of audit committee evaluates the time for which auditors are employed. Part of respondents (24.9 %) does not recognize any changes in composition of auditors. About 30 % of respondent answer that auditors are changed one time per year, and quarter of respondents do not have opinion. So, this aspect of financial transparency is translucent.

Companies which are listed on Vilnius Stock Exchange are required to assume financial data according to the International Financial Accounting Standards. Majority of respondents evaluated their companies as the one which accept the IFA. Application of the International Standards ranks company as the transparent and attractive for investors. The more company would be related to international standards the more appropriate for foreign investment it would be evaluated (Appendix C).



**Figure 9.** Term of auditors

Frequency of Reports reveals the companies transparency, but high cost of preparation reduces accessibility of reports as often as possible. Limited Companies are required to prepare reports every quarter; otherwise they would be refused from the Stock Exchange list. The rest of the companies arrange reports according to shareholders requirements and financial situation. Frequency of financial report should be determined by the Statute of the company.



**Figure 10.** Frequency of Report arrangement

Transparency Measurement Tool is appropriate to define differences between reality (what is visible for respondents) and requirement (Corporation Governance Code). All main aspects of transparency, which were evaluated, are listed in the table provided below.

**Table 3.** Transparency Measurement Tool

Scoring	Risk management	OSHA	Stakeholder Voice	Financial Data	Company management	Environmental Impact	Company values	Human Rights
Unacceptable	0	0	0	0	0	1	2	1
Inadequate	5	0	3	1	0	1	2	3
Minimum	52	37	42	19	26	61	46	29
Good	92	99	93	60	82	95	100	91
Outstanding	23	39	32	92	64	15	23	52
Total	37.7	39.1	39.1	44.1	42.2	37.1	38.1	40.8

TMT contains all the most important information related to the transparency of the company governance. It defines availability, accessibility and accuracy of company's financial data, board structure, shareholders relations and ownership. Each criterion is able to score from 1 to 5 points. Total points are counted as following:

Unacceptable = 1

Inadequate = 2

Minimum = 3

Good = 4

Outstanding = 5

As example, could be taken Risk management. The answers of respondents are fairly different. 5 respondents evaluate risk management of their company as inadequate, 52 respondents are concerned about the minimum, 92 respondents evaluate their companies as good in risk management, and just 23 respondents from 172 appreciate their companies as outstanding, in another words, very good in risk management. Thus, Risk Management scores 35.88 points, which is equal, according to Bandsuch, Pate and Thies (2008), to translucent. Result reveals that in the future Lithuanian companies should attend more attention to the subjects making impact on risk.

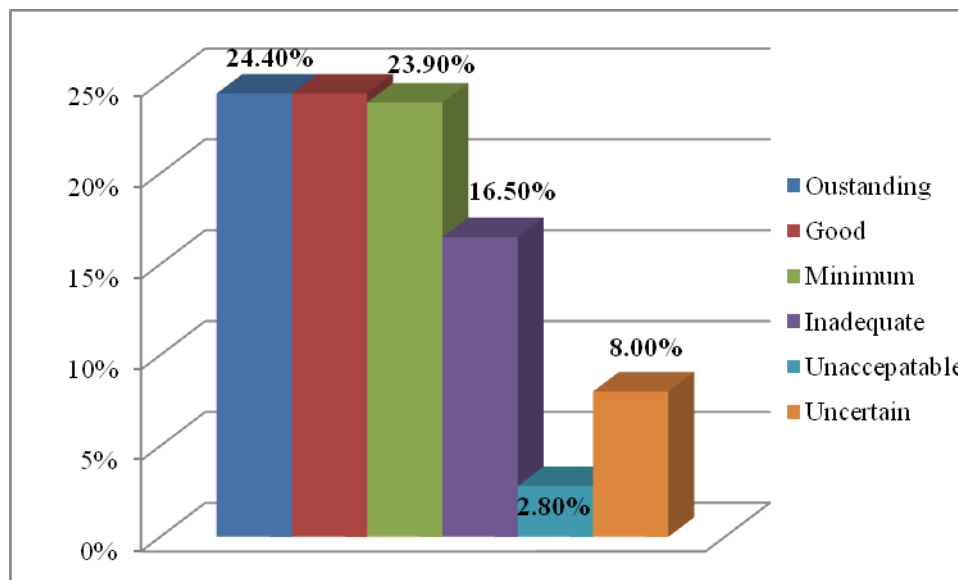
The rest of criteria would be evaluated in the same way as Risk Management.

Financial Data is assessed as the most transparent among the Lithuanian companies. Second place is appointed to Company Management, the third one to Human Rights. Results define reality which is regulated by the Governance Code. Lithuanian companies listed on Vilnius Stock Exchange are required to provide all necessary information for shareholders and other market participants. Governance Code is one of the requirements which permits to companies become a member of Stock Exchange. The less transparent area of Lithuanian companies is related to Environmental Impact. Management of business environment is big challenge for majority of companies because it is highly unpredictable. It is the reason of the Environmental Impact opaque.

In general, Lithuanian companies listed on Vilnius Stock Exchange, according to respondents of questionnaire, are appointed as translucent; the average of scores spread around 39.775.

Thus, Lithuanian companies even not just listed on Stock Exchange are suggested to assess their weakness of transparency and improve. This long time goal is appreciated as factor for increasing value of the company and access of investment.

The last question related to the company governance transparency confirms the results arranged by the Transparency Measurement Tool. Respondents' opinions about the company transparency differ from outstanding to uncertain. Majority of answers define Lithuanian companies in quite high transparency level (Figure 11).



**Figure 11.** Evaluation of Lithuanian companies' transparency

Questionnaire reflects the reality and confirms results determined by the multi-criteria method and experts' estimation provided above.

There are many disagreements between the reality and requirement. The definition of transparency is not strange for the Lithuanian companies but as well not adjusted in the best possible way. Lack of transparency reduces attraction of investors and decreases economic growth.

However, it is not so easy to apply all the corporate governance requirements because of the high expenditure cost and moreover, because of the uncertainty. There no single explanation related to the introduction of the Company Governance Code.

For reason like this, two problems should be solved regarding to the launching of the good company governance. The clarity of Legislation Law should be improved and the corporate governance transparency cost should be reduced. Improvement of Corporate Governance Code implementation increases companies' reliability and attracts more investments.



### **3. MULTI-CRITERIA EVALUATION OF LITHUANIAN COMPANIES FROM THE PERSPECTIVE OF THEIR GOVERNANCE TRANSPARENCY**

#### **3.1 Brief Economic Review**

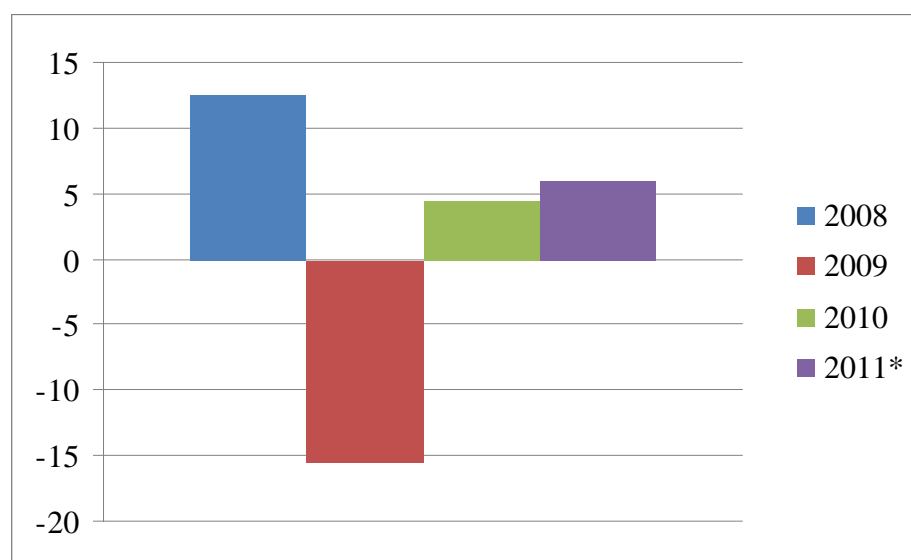
Recovering process in the World economy is recognized. World wide stimulus measures and financial sector support increases confidence among households, companies and financial markets. Moreover, as a global boost strengthens, a recovery in Europe is taking hold. However, the process of recovering is not as quick as countries would like to see. Many problems come in between. Although conditions for growth were improved, still many challenges remains, both in short and long term perspective.

The global economic environment has become brighter, and during this year global GDP is set to grow by 3.9% due to inventory adjustments, improved confidence, and large stimulus measures from central banks and governments. While many emerging markets are growing strongly, industrial countries – especially the European ones - are lagging behind. The need to leverage in the private and financial sectors, as well as mounting debts in the public sector with an accompanying risk of increasing financial turbulence, is posing great challenges. Already by next year a number of countries will have raised taxes and lowered public expenditures, thus weakening domestic demand. Labour markets will improve, but unemployment will still remain at high levels. Global GDP is therefore foreseen as growing slower in 2011, by 3.6%.

Lithuania is rewarded for the fiscal consolidation. The economy appeared to stabilize during the second half of 2009 after very sharp declines in output. Unemployment, however, continued to increase and wages fell, dampening domestic demand. Moreover, according to analysts of Lithuanian banks, in 2010 GDP will fall down approximately by 2 %.

Nevertheless, the situation in Lithuania is mitigated by the export growth. Next year as well as current will be maintained mostly by the positive export demand. Global developments will be the most crucial factor affecting the performance of the economy this and next year. The economy should grow by 3% in 2011, as domestic demand, driven by investments, starts to recover.

As it was mentioned above, the deep recession in Lithuania was mitigated at the end of 2009 by stronger than expected export performance. Export growth was improved since the last autumn owing to the recovery in the EU economies. No signs of improvement, however, were observed in the non-tradable sectors, as domestic demand stayed anaemic in the second half of the year.



**Figure 12.** Export volumes in Lithuania (changes in %) (54, 2009)

\* forecast

Review of the Lithuanian economic emphasizes the significant performance of the export for Lithuanian economic growth. Moreover, according to the data provided by the Lithuanian Statistic Department, export during the January and February grew up because of the intermediate consumption goods. It contains 50.4 % of all amount of export. Table 4 reflects the export demand composition.

### 3.2 Analysis Data

Economic growth, country goodwill is reflected by the well-balanced practices of Lithuanian companies. As it is emphasized, the most significant role is based on companies, which are responsible for intermediate consumption goods. However, according to the Lithuanian Center of Registers, it could be mentioned many companies which activities are related to intermediate goods consumption. Special requirement of transparency allowed to decrease the amount of companies related to the intermediate goods consumption. Transparency requirement is put just on companies, which are listed on Main List of Vilnius Stock Exchange. However, just 8 companies are selected for the analysis. The rest is not appropriate, because of their type of activities. Refused companies belong to real estate, electric or financial sector, which were analyzed in other researches or do not perform in export.

As it is provided above, two criteria could be emphasized. The first one – company makes a practice of intermediate consumption goods export, the second one is to be listed on Main List of Vilnius Stock Exchange. Thus, List of the adjusted companies is presented below. The first criterion

is chosen according to the banks economic review (42, 2009; 54, 2009), the second one is requirement of Corporate Governance Code which is introduced by the Vilnius Stock Exchange (50, 2009).

**Table 4.** Export and import structure according to joint classes (24; 2009)

Joint classes	2010 m. January – February	
	Export	
	million LTL	%
Prepared food; non-alcohol, alcohol drinks and vinegar; tobacco and reprocess tobacco substitute	421,7	6,3
Spa products	1578,1	23,6
Chemical industry and related industry production	601,8	9
Plastic and plastic wares, rubber and rubber wares	510,6	7,6
Textile material and soft wares	452,5	6,8
Machines and mechanical equipment, electrical equipment; Sound recorder and reproducer; TV view, sound recorder and reproducer and different accessories of these equipment.	581,8	8,7
Over-ground air, water vehicles and additional equipment for vehicles	600,3	9
Various manufactured products	417,9	6,3

Companies listed in the table would be ranked according to appropriation to listed criteria. All the criteria are scored a particular number of points, depending on their significance. Less important criteria are given 0 points, while more important get 10 points. The total rank is obtained by integrating the points obtained from a particular company (29, 2008).

In making the present investigation, valuable and comprehensive information about the performance of Lithuanian companies has been collected, allowing the author to evaluate the corporate governance transparency of the Lithuanian companies listed on Main List of Vilnius Stock Exchange.

**Table 5.** Statistical data of companies listed on Vilnius Stock Exchange (based on companies' Annual Reports)

No	Company profile	Profit (thousand, LTL)	Capitalisation (million, LTL)	Investment (million, LTL)	Shareholders number in the company	Shareholders own more than 5 % of company		Shareholder owns more than 50% of company	Board Structure				Members of the board is just shareholders	Auditors	
						Legal entity	Natural person		AGM	Board	CEO	Auditors		For 2009	Previous
1.	AB "Apranga"	-16905	152,05	16,4	3508	3	-	l.e.	+	+	+		No	Price WaterHouse Cooper	Deloitte (2005)
2.	AB "Lietuvos dujos"	94800	985,04	139,8	2417	3	-	-	+	+	+	+	No*	Earnst & Young	Price WaterHouse Cooper (2008)
3.	AB "Pieno Žvaigždės"	14565	159,36	28,5	4299	4	2	-	+	+	+	-	No	KPMG Baltics UAB	KPMG Lietuva (2005)
4.	AB "Rokiškio sūris"	14989	115,33	8	5640	3	1	l.e. and n.p.	+	+	+	+	No	Price WaterHouse Cooper	-
5.	AB "Sanitas"	17844	296,44	0,335	1586	4	-	-	+	+	+	+	No	Deloitte	Earnst & Young Baltic (2008)
6.	AB "Utenos trikotažas"	3218	22,61	0,28	1217	3	-	l.e.	+	+	+	-	-	Price WaterHouse Cooper	Earnst & Young (2005)
7.	AB "Vilniaus balдай"	15590	34,98	0	1079	2	-	l.e.	+	+	+	-	No	Price WaterHouse Cooper	Earnst & Young (2008); KPMG Lietuva (2005)
8.	AB "Vilkyškių pieninė"	6,723	28,66	0	695	-	∞	-	+	+	+	-	No	KPMG Baltics UAB	UAB Moore Stephens Vilnius (2004)

The object of investigation is to evaluate the level and flexibility in adjustment of corporate governance code and companies' ability to attract investment capital. The problem is complicated by the fact that these criteria have qualitative and quantitative data; moreover, the information about the transparency even of listed companies is very limited and hardly to evaluate.

### **3.3 The criteria describing the transparency of the corporate governance of the Lithuanian listed companies**

In the present research, multi-criteria evaluation of Lithuanian listed companies is based on the data provided in annual reports. Some necessary data, however, is not available. For example, information about the AGM for the shareholders 30 days prior, disclosure of the company beneficial ownership of 100 % of outstanding share or quarterly reports publication within 6 weeks of end of quarter. So, mentioned criteria were refused from the research. The point system was fitted to the available information.

As it is shown in the Table 4, the criteria have different dimensions, e.g. litas, units, etc. Moreover, some criteria do not contain numerical expression (e.g. Board structure, auditors, information about the board member relation with the entity). Therefore, all the criteria were revised and their value transformed to make them appropriate for further calculation.

The current investigation contains 9 criteria, which were selected by the Newby suggestions appointed in a set of his articles and emphasised by OECD. Criteria define the information about the four main company areas: Board structure, shareholders, auditors and finances.

*Criterion 1* is net companies profit in the 2009. To find quantitative expression for this criterion is rather complicated because one company, "Apranga", was unprofitable. To keep this company in the analysis, negative criteria value was made positive according to the formula:

$$r_{ij}^* = \left| \min_j r_{ij} \right| + r_{ij} + 1$$

(1)

Where:

$r_{ij}^*$  is rearranged net profit (losses) of it  $i$ -th criterion for  $j$ -th object;

$\min_j r_{ij}$  is the smallest value of  $i$ -th criterion.

Ability to generate profit is the main task for the company. The better is company governance, the higher profit company is able to generate. Fact is, the company governance transparency allows to noticing and resolving problems during the short time and boost attention of the investors. Profit reflects company ability to figure out problems and attract investors in the best possible way.

*Criterion 2* is capitalization. Capitalization is defined as a measurement of size of a business enterprise (corporation) equal to the share price times the number of shares outstanding of a public company. Companies could be categorised according to the size of the capitalisation. Lithuanian companies belong to micro and nano-cap category, in fact that their capitalization does not exceed 300 millions Lt and mostly are under the 50 million Lt.

As owning stock represents ownership of the company, including all its equity, capitalization could represent the public opinion of a company's net worth and is a determining factor in stock valuation.

*Criterion 3* is the amount of investment. Investment is the commitment of money or capital to purchase financial instruments or other assets in order to gain profitable returns in form of interest, income, or appreciation of the value of the instrument. Therefore, the more company invests, the higher profit could be expected.

*Criterion 4* is number of the shareholders in the company. The amount of the shareholders could be evaluated from some points of view. The first one contains the notion that transparency depends on the amount of shareholders. Ability to attract more investors could be compared with the level of trust. Visa versa, a lot of small investors are able to disbalance the mission and vision of the company. The first one view would be as guidance in present investigation, in fact, that the higher transparency is supported by the surrounding of many investors.

*Criterion 5* reflects the shareholders structure. Lithuanian companies contain two types of shareholders as the rest of the World: Legal entity and/or natural person. Legal entity is not trustable from the point of transparency. The more legal entity own shares the less transparent company is. Ownership of natural person is more transparent and scores more points. If the shareholders ownership is diversify it scores 5 points.

*Criterion 6* as well provides information about the shareholders ownership. It contains information about the shareholder type and extent. Shareholder, who owns more than 50 % of shares and absorbs the mission and vision of the company, is considered as less trusted than shareholder who owns smaller amount of shares. Company, which does not concentrate main power in one hand (50 % of shares and more) will score maximum points; visa versa 0 points would be imposed.

*Criterion 7* is about the board structure. Lithuanian companies assure one – tier model for company governance. It is not approved from the point of transparency enthusiastically. Moreover, not the all companies compose the auditors committee in proper way or dissemble information about the existence of the committee. Companies, which contain all in the table mention board structure units, will score the maximum points. For each board unit would be prescribed 5 points.

*Criterion 8* informs about the members of the board. Amount of the independent members reflects the higher transparency level. In current analysis mostly the answer “No” is mentioned. This criterion reveals information about the Corporate Governance Code implementation in companies listed on Main List of Vilnius Stock Exchange. Majority of Lithuanian companies select board from independent persons. This fact allows for companies to score significant amount of points. The best evaluation of this criterion belongs to company named as “Pieno žvaigždės”. The board of this company is presented just from independent persons. Company will score 20 points.

*Criterion 9* assumes auditors information. According to the Company Governance Code, the frequent changes of the auditors company attract more investors. This criterion is one of the most important on which is based company confidence from the view of investors.

Rearranged values of all the criteria are provided in Table 6.

**Table 6.** Rearranged data on the companies listed on Vilnius Stock Exchange for 2009

<b>Criteria No</b>	<b>Company</b>							
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>1</b>	1	111706	31471	31895	34750	20124	32496	16912,72
<b>2</b>	152,05	985. 04	159,36	115,33	296,44	22,61	34,98	28,66
<b>3</b>	16,4	139,8	285,5	8	0,335	0,28	0	0
<b>4</b>	3508	2417	4299	5640	1586	1217	1079	695
<b>5</b>	3	3	11	9	4	3	2	20
<b>6</b>	0	10	10	5	10	0	0	10
<b>7</b>	15	20	15	20	20	15	15	15
<b>8</b>	10	20	10	10	10	0	10	10
<b>9</b>	10	10	0	0	10	10	20	10

### 3.4 Multi-criteria methods used for determining government transparency of the Lithuanian companies

Multi-criteria methods are based on two matrices: a matrix of the criteria describing the companies considered, statistical data or expert estimates  $R = \|r_{ij}\|$ , and weight (significance) vector of the criteria  $\Omega = \|\omega_i\|$  ( $i = 1, \dots, m; j = 1, \dots, n$ ), where  $m$  is the number of criteria and  $n$  is the number of the objects (companies) compared.

The data on the Lithuanian companies listed on Vilnius Stock Exchange for 2009 (matrix R) are given in Table 7.

In the current research, for multi-criteria evaluation methods, such as SR (sum of ranks) and SAW (Simple Additive Weighting) are used.

The criterion  $V_j$  of the SR method is calculated by the formula (32, 2009):

$$V_j = \sum_{i=1}^m m_{ij}$$

(2)

Where:

$m_{ij}$  is the  $i$  – th criterion rank for  $j$  – th object.

The best value of the criterion  $V_j$  is the smallest.

**Table 7.** The ranks assigned to Lithuanian companies listed on Vilnius Stock Exchange according to their transparency in 2009

Criteria No	Company							
	1	2	3	4	5	6	7	8
1	8	1	5	4	2	6	3	7
2	4	1	3	5	2	8	6	7
3	3	2	1	4	5	6	7,5	7,5
4	3	4	2	1	5	6	7	8
5	6	6	2	3	4	6	8	1
6	7	2,5	2,5	5	2,5	7	7	2,5
7	6	2	6	2	2	6	6	6
8	4,5	1	4,5	4,5	4,5	8	4,5	4,5
9	4	4	7,5	7,5	4	4	1	4
SUM of ranks	45,5	23,5	33,5	36	31	57	50	47,5
Rank	5	1	3	4	2	8	7	6



The main concept of quantitative multi-criteria methods is clearly demonstrated by the method SAW (Hwang, Yoon, 1981). The criterion  $S_j$  of this method is the sum of the weighted criteria values:

$$S_j = \sum_{i=1}^m \omega_i \tilde{r}_{ij}$$

(3)

Where:

$\omega_i$  is the weight of  $i$  – th criterion;

$\tilde{r}_{ij}$  is normalized  $i$  – th criterion value for  $j$  – th object.

SAW is based on “classical” normalization (32, 2009):

$$\tilde{r}_{ij} = \frac{r_{ij}}{\sum_{i=1}^b r_{ij}}$$

(4)

$$(i = 1, \dots, m; j = 1, \dots, n; \sum_{n=1}^m \tilde{r}_{ij} = 1).$$

The data of the Lithuania companies listed on Vilnius Stock Exchange for 2009 normalized by method SAW are given in Table 8.

The best value of the criterion  $S_j$  is the largest value (red numbers in Table 8).

**Table 8.** The data of Lithuanian companies listed on Vilnius Stock Exchange for 2009 normalized by the method SAW

Criteria No	Company							
	1	2	3	4	5	6	7	8
1	0	0,39987	0,11266	0,11417	0,12439	0,07204	0,11632	0,06054
2	0,18785	1,21696	0,19688	0,14248	0,36623	0,02793	0,04322	0,03541
3	0,03642	0,31045	0,63400	0,01777	0,00074	0,00062	0	0
4	0,17162	0,11824	0,21031	0,27592	0,07759	0,05954	0,05279	0,03400
5	0,05455	0,05455	0,20000	0,16364	0,07273	0,05455	0,03636	0,36364
6	0	0,22222	0,22222	0,11111	0,22222	0,00000	0,00000	0,22222
7	0,11111	0,14815	0,11111	0,14815	0,14815	0,11111	0,11111	0,11111
8	0,12500	0,25000	0,12500	0,12500	0,12500	0	0,12500	0,12500
9	0,14286	0,14286	0	0	0,14286	0,14286	0,28571	0,14286

### 3.5 Determining the criteria weights and the agreement of experts estimate

One of two components of multi-criteria evaluation methods is represented by the values of the criteria weights (significances)  $\omega_i$ .

The effect of particular criteria describing the investigated object on the result obtained differs to some extent, therefore, when using quantitative multi-criteria evaluation methods, the criteria weights (significance) should be determined. The so-called subjective multi-criteria evaluation is often used, when experts determine the criteria weights.

The expert evaluation methods yields a matrix  $C = \|c_{ik}\| (i = 1, \dots, m; k = 1, \dots, r)$ , where  $m$  is the number of the criteria considered,  $r$  is the number of experts. Experts can assess the criteria in various ways. Any scale of measurement may be used, e.g. units, percentage, fraction of unity, various scoring systems based on points, simple (0 – 1) pair comparison of criteria (33, 2008).

When the method of direct determination of the criteria weights is used, the sum of the weights elicited from each expert should be equal to unity (or 100 %). In this case, the weight of the  $i$  – th criterion  $\omega_i$  is the mean value of all experts' estimates  $\bar{c}_i$ :

$$\omega_i = \bar{c}_i = \frac{\sum_{k=1}^r c_{ik}}{r} \quad (5)$$

In the case of percentage, the obtained value is divided by 100.

In the current research, experts used a direct method of criteria evaluation, i.e. the sum of the estimates of any expert was equal to 100. The estimates of 9 criteria elicited from 6 experts are provided in Table 9. Based on them, the average estimate of each criterion values as well as the criteria weights  $\omega_i$  (as a 100-th of the average value) are calculated. The sum of the criteria weights  $\omega_i$  is equal to unity (one). This position is reflected in the last column.

**Table 9.** Direct evaluation of the criteria weights (significances) by experts

Criteria No	Experts						Total	Weight
	1	2	3	4	5	6		
1	4	8	12	4	12	10	50	0,083333
2	12	6	6	4	10	6	44	0,073333
3	10	4	10	8	4	6	42	0,07
4	12	6	10	14	8	12	62	0,103333
5	8	8	18	18	6	10	68	0,113333
6	8	16	16	18	12	18	88	0,146667
7	10	20	10	16	18	16	90	0,15
8	16	18	16	16	16	2	84	0,14
9	20	14	2	2	14	20	72	0,12
	100	100	100	100	100	100		1

It is visible, that experts estimate and approach to criteria evaluation differ. It is hardly possible to determine agreement in experts estimations based on Table 9. To use the calculated criteria weights  $\omega_i$  in multi-criteria evaluation of Lithuanian companies listed on Vilnius Stock Exchange, the level of agreement of experts' estimate should be determined. The degree of agreement can be determined by concordance coefficient (38, 1970). Prior the calculating the concordance coefficient the criteria should be ranked with respect to every expert, implying that the most significant criterion is assigned the highest value equal to unity, while the second most important criterion (for object evaluation) is given the value of two, etc. The value assigned to the least significant criterion is  $m$ , where  $m$  is the number of evaluation criteria. The equivalent criteria are assigned the same rank, i.e. an arithmetical mean of the respective ranks.

The evaluation of criteria by their ranking is reflected in Table 10.

**Table 10.** Ranking of criteria

Criteria No	Experts						SUM
	1	2	3	4	5	6	
1	9	5,5	4	7,5	4,5	5,5	36
2	3,5	7,5	8	7,5	6	7,5	40
3	5,5	9	6	6	9	7,5	43
4	3,5	7,5	6	5	7	4	33
5	7,5	5,5	1	1,5	8	5,5	29
6	7,5	3	2,5	1,5	4,5	2	21
7	5,5	1	6	3,5	1	3	20
8	2	2	2,5	3,5	2	9	21
9	1	4	9	9	3	1	27

The concordance coefficient  $W$  is calculated by the following formula (38, 1970):

$$W = \frac{12S}{r^2m(m^2-1)}$$

(6)

Where  $r$  is the number of experts,  $m$  is the number of the criteria evaluated.

The sum of squares  $S$  is calculated according to the following scheme (47, 2007):

1. Based on the data in Table 8,  $e_{ik}$  of expert estimates of each criterion's sum of ranks  $e_i$  (last column (weights)) is calculated by the formula:

$$e_i = \sum_{k=1}^r e_{ik}$$

(7)

2. The mean value of ranks  $\bar{e}$  is calculated by the formula:

$$\bar{e} = \frac{\sum_{i=1}^m e_i}{m}$$

(8)

3.  $S$ , i.e. sum of squares of sum of ranks deviation  $e_i$  from mean value  $\bar{e}$  is calculated by the formula:

$$S = \sum_{i=1}^m \left( e_i - \bar{e} \right)^2$$

(9)

In fact, the agreement level of expert estimates is determined by the criterion  $\chi^2$ , rather than by the value  $W$ . A random value

$$\chi^2 = Wr(m-1) \tag{10}$$

is distributed according to  $\chi^2$  distribution with the degree of freedom  $\nu = m - 1$ , where  $m$  is the number of the objects compared and  $r$  is the number of experts (38, 1970). Based on the selected significance level  $\alpha$  (in practice,  $\alpha$  is usually equal to 0.05 or 0.01), the critical value  $\chi_{kr}^2$  is found in the table of  $\chi^2$  distribution with the degree of freedom  $\nu = m - 1$ . If the value of  $\chi^2$  calculated from the formula (10) is larger then, it is assumed that experts' estimates are in agreement.

Concordance coefficient is  $W = 0.0035$ , and the value of  $\chi^2$  calculated by formula (10),  $\chi^2 = 16.99$ , is larger than the critical value  $\chi_{kr}^2 = 13.59$ , taken from the table of  $\chi^2$  distribution with the degree of freedom  $\nu = 9 - 1 = 8$  and a significance level  $\alpha = 0.05$ . Therefore, the experts estimate is in agreement.

The calculated criteria weights  $\omega_i$ , revised in the manner described above, may be used in multi-criteria evaluation of Lithuanian companies listed on Vilnius Stock Exchange.

### **3.6 Multi-criteria evaluation of Lithuanian companies listed on Vilnius Stock Exchange**

One of the most important factors influencing the economic growth and development of any state is effective performance and high level of company governance transparency. The transparency is a complex phenomena, which is described by a set of criteria. Criteria are expressed in different way. This problem could be solved using multi-criteria methods for evaluation which allow joining many criteria into the single quantity.

The current research evaluates the most important and the less significant chosen criteria for the companies listed on Vilnius Stock Exchange. As the estimates reflect the basic aspects of the transparent company relate to the Board Structure and the shareholders ownership and responsibilities. The more company diverse its management the more respect it would be able to generate and the more flexible and self-reliable it would be. As it was proved by the EU, Lithuanian companies are concerned about one-tier governance system because of the cost. However, companies do not deny the necessity of Supervisory Board and replace the absence by arranging the Audit Committee. Governance division among of different representatives increases value of the company and investment attraction.

The most diversify governance system was fixed by the “Lietuvos Dujos” Annual Report. It contains all the main parts, such as AGM, Management Board, CEO and Auditors. As a result, this company was evaluated as the most transparent.

Selection of the Auditors should be identified as the one of the most important aspect. Frequent changes of auditors provide information about the transparency to investors. Company, which do not hide anything do not take any risk by changing auditors.

The ranking of the companies listed on Vilnius Stock exchange confirms the mentioned. Companies, which change auditors quite often is ranking in higher positions than that ones which choose the same auditors from year to year.

The middle of the ranking belongs to the type of shareholders. According to the practice, trust would be higher if shareholders would be counted as the natural persons. But investigation reveals that this fact is not preferable.

The last places belong to the profit, capitalization and investment. This fact emphasises importance of the transparent management of the company. If company would be able to develop image of responsible company, the capitalization, profit and investment will increase as requires by itself.

The less important criterion for the company governance transparency is amount of investment. In this case, it is quite surprisingly. According to scholars, the amount of investments is one of the most important aspects of the transparent company governance and this fact is proved by the companies' analysis described below.

The data obtained in multi-criteria evaluation of Lithuanian companies listed on Vilnius Stock Exchange by using formulas (1) – (10) are provided in Table 11.

**Table 11.** The results obtained in comparing the transparency of Lithuanian companies listed on Vilnius Stock Exchange by multi-criteria methods

Method		Company							
		1	2	3	4	5	6	7	8
SR	Value	45,5	23,5	33,5	36	31	57	50	47,5
	Rank	5	1	3	4	2	8	7	6
SAW	Value	0,092156	0,318143	0,201354	0,122026	0,142213	0,052071	0,085613	0,121642
	Rank	6	1	2	4	3	7	6	5
Sum of ranks		11	2	5	8	5	15	13	11
Total rank		5-6	1	2-3	4	2-3	7-8	6-7	6

Ranking of criteria for transparent company, allows evaluating of Lithuanian companies listed on Vilnius Stock Exchange.

Table 11 shows that according to estimates the most transparent company in Lithuania listed on Vilnius Stock Exchange is “Lietuvos dujos”. This result could be proved by the company annual report 2009. Firstly, all the most important information for transparency is provided. Moreover, company board structure contains auditors committee, which maintains activities of the company. Furthermore, “Lietuvos dujos” also employs independent auditors, which provide independent

annual report every year. The most significant aspect is company's management, which belongs not to legal entity but to natural person.

Second and third places are intended to "Pieno žvaigždės" and „Sanitas“. This option is explained according to the Board Structure, composition of shareholders ownership and management style.

The last position appointed to "Utenos trikotažas" because of the lack proper information in Annual Report 2009.

So, as results show, investigated companies could be grouped in ranking as follows:

1. "Lietuvos dujos", "Pieno žvaigždės" and „Sanitas“.
2. „Rokiškio sūris“
3. "Apranga", "Vilniaus baldai", "Vilkyškių pieninė"
4. "Utenos trikotažas"

Investigation discloses integrated data about the criteria preferences according to the investigation and the experts' estimations.

The current investigation and experts estimations provide milestones for more transparent and effective company governance. The present analysis identifies the gap between requirements and real situation. The significant gap is recognized from the investment aspect. According to, analysed data and experts estimations investment is not counted as one of the most important part of transparency. However, in general, the result does not reveal the real situation because of the economic situation during the past year. Otherwise, investigation is not refused because of this difference. Investigation is proved by the evaluation of the companies listed on Vilnius Stock Exchange. Company evaluated as the most transparent has been invested the most. Moreover, many of other chosen criteria reflect company governance standards. The Board structure appropriation, shareholders relationship and auditors committee independency should be listed as the aspects of the main importance.

Naturally, experts' estimations and statistic investigation differ in some cases. Disagreement reveals that reality generates many exceptions which could not be evaluated by the statistical methods.

### **3.7 Evaluation of company governance transparency from the perspective of investors**

Importance of the corporate governance has grown globally due to the economic crisis, financial scandals, system failure of investor protection mechanism, and weak capital market, etc. Uncertainty, failure of confidence and distrust spread from the individual firms to entire countries.

The presence of an effective corporate governance system, within an individual company and across an economy as whole, helps to provide a degree of confidence that is necessary for the proper functioning of the market economy. Moreover, according to International Finance Corporation, transparency is leverage between the risk and cost of capital. High level of transparency is considered as a sign of a strong company from the perspective of investors. Investors choose to pay more for the share of a well-governed company than for those of a poorly governed. According to Newby, this opinion is supported approximately by the 80% of investors.

The level of transparency as a part of a good corporate governance is difficult to determine, in fact of that transparency is not a result or destination but it is a “journey” where is included better management decisions, better performance, risk management, compensation policies, company indicators, environmental impact, ownership structures and influences, commitment to social responsibility, and investment criteria, etc.

Lithuania is listed as an emerging economy and the good corporate governance is considered as one of the most important aspect from the perspective of domestic and foreign investors as well as preferable experience for economic growth.

According to the situation, where Lithuania is placed on, current investigation analyzes the transparency of the corporate governance. Research was composed from the two parts. The first one encompasses the public opinion on corporate governance. Result defines Lithuanian companies as a translucent. Lithuanian companies are suggested to follow requirements of corporate governance code in more responsible and proper way.

Multi-criteria evaluation of Lithuanian companies listed on Vilnius Stock Exchange determines “Lietuvos dujos” as the most transparent company for governance, in fact that all the most necessary information for investors is provided in Annul Report and management of the company is concentrated on natural persons.

Transparency evaluation of the Lithuanian company governance based on the multi-criteria method (SR, SAW, Experts opinion) and public opinion determine Lithuanian companies as a highly recommended for domestic and foreign investors. According to research, Lithuanian

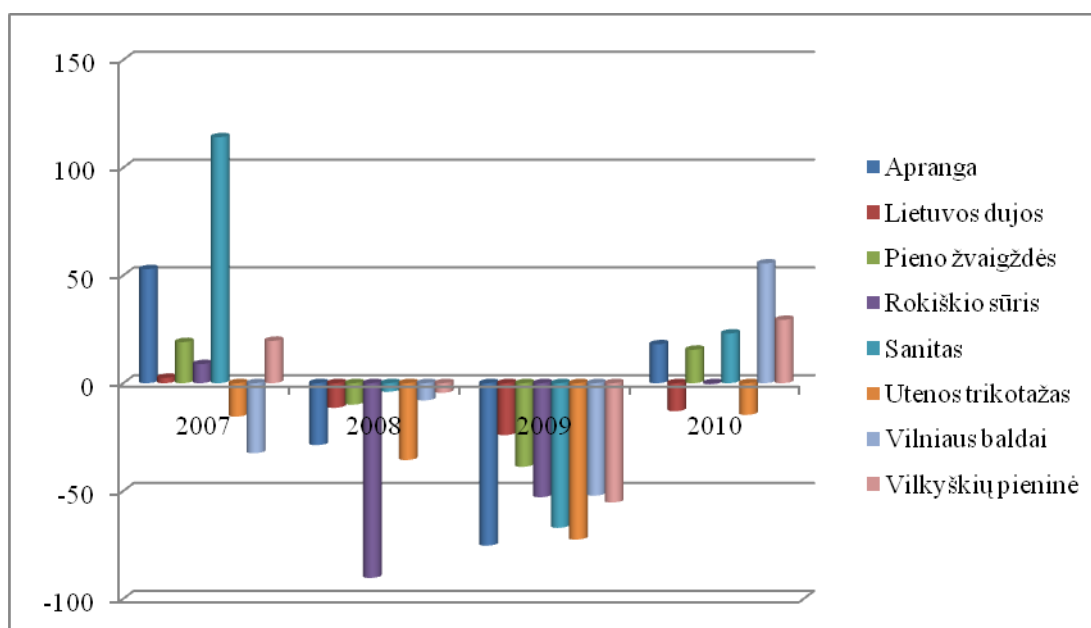


companies are transparent enough and are able to attract significant amount of investments to Lithuania.

Is market situation able to reflect the results of the previous investigation?

Regarding to scholars opinion, the most important indicators of a transparent company is not just informative Annual Report but good financial indexes as well. Three rates were chosen to evaluate: the price of share, dynamic of capitalization and Return on Equity (ROE).

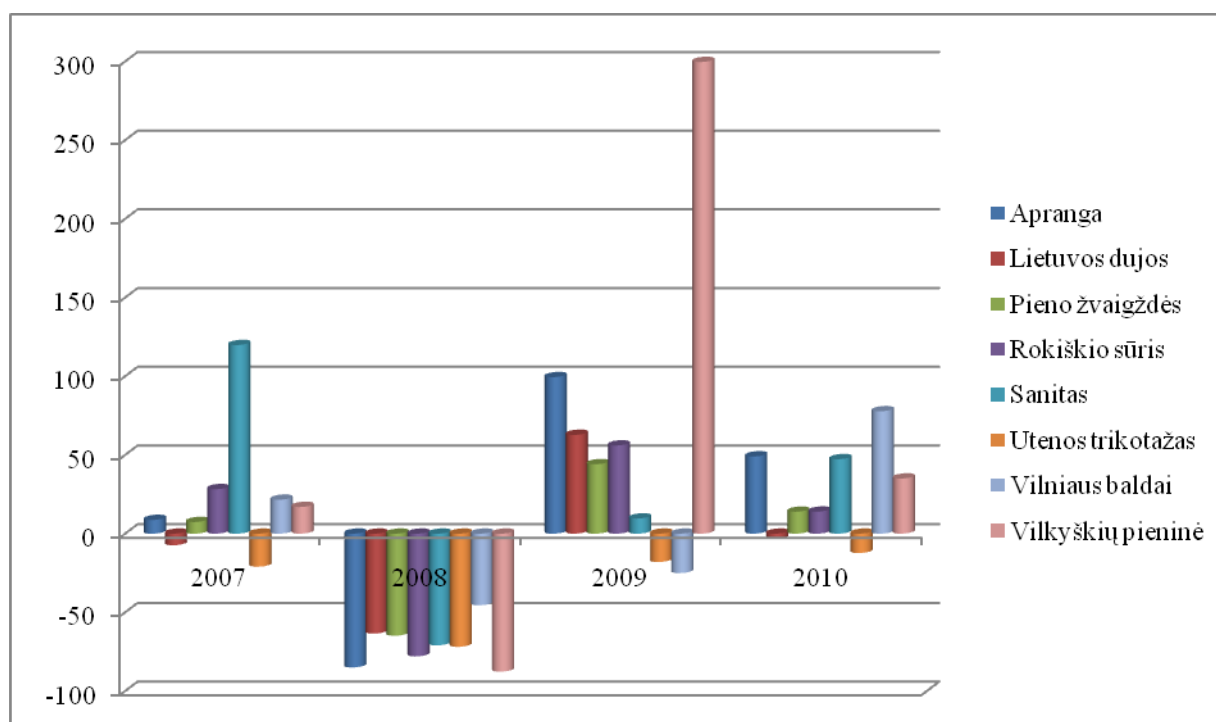
The price of share is the basic aspect of well-governed company. This attitude was proved by many examples across the World. Moreover, first signs of Lithuanian companies' transparency improvement could be detected in some companies in 2007. The figure provided below reflects growth of the share price of such companies as "Apranga", "Pieno Žvaigždės", "Sanitas" and "Vilkyškių pieninė". The most significant growth is fixed of the share of "Sanitas" approximately 114 %. Since the 2008, price of share of all companies significantly fall down because of the World financial crises. Slow recovering among the companies is recognized in the first quarter of 2010. In fact, it is difficult to predict the importance of the corporate governance implementation in Lithuanian companies.



**Figure 13.** Share price in 2007 – 2010 (change in %)

Market capitalization is a measurement of size of a business enterprise (corporation) equal to the share price times the number of shares outstanding of a public company. As owning stock represents ownership of the company, including all its equity, capitalization could represent the

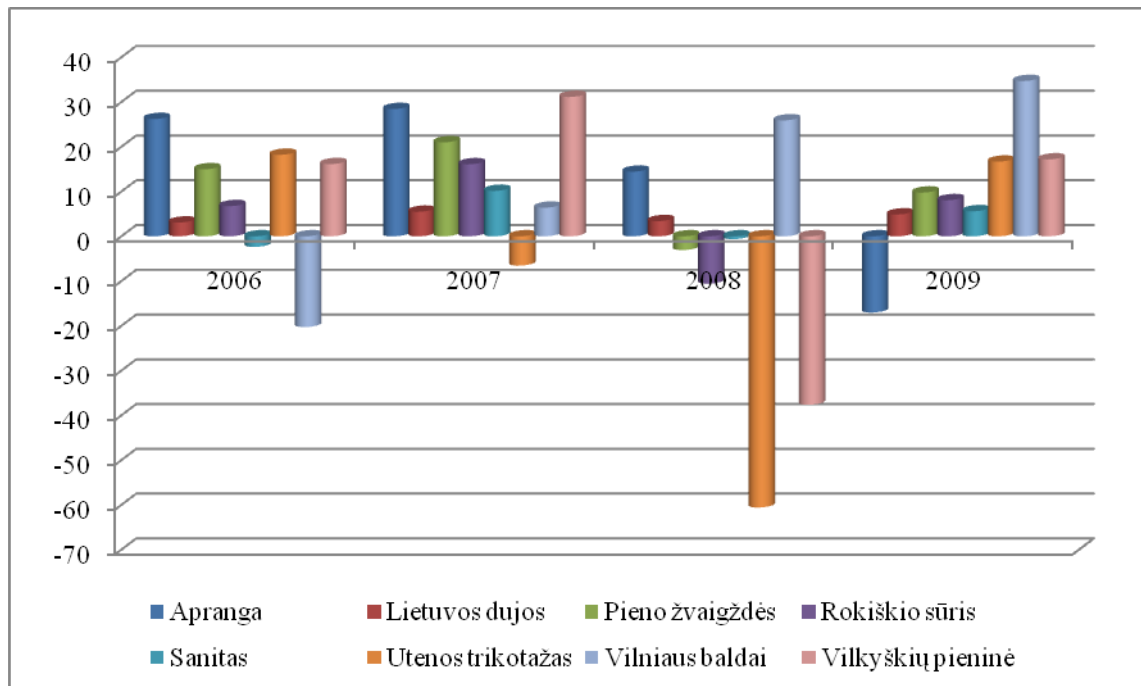
public opinion of a company's net worth and is a determining factor in stock valuation which is of significant importance for investors. According to estimation, preferable company to invest was “Sanitas”. The capitalization rate obtained more than 119 %. “Rokiškio sūris” was defined as another company attracted capital of many investors. However, economic crisis changed situation in 2008 and capitalization rate of all companies decreased and evaluated as negative. Significant impulse for Lithuanian companies was the recovering process of many European countries in 2009. Lithuanian companies increase their efficiency as well as capitalization rate by exporting production overseas and raise the involvement of investors. The most essential growth is fixed in financial data of “Vilkyškių pieninė”. Capitalization rate is over 250 %. The rest of the companies estimate capitalization rate in the margin of 100 %. However, few companies, listed on Vilnius Stock exchange had negative capitalization. It is „Utenos trikotažas“ and “Vilniaus baldai”. These two companies are evaluated as quite opaque because of their management team, structure of board, main investors. Attitude of companies was proved by experts’ estimations. Capitalization rate confirms previous estimations.



**Figure 14.** Capitalization (change in %)

Dynamic of return on equity reflects the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation’s profitability by revealing how much profit a company generates with the money shareholders have invested.

Companies listed on Stock Exchange are required to define ROE rates. According to provided information, estimated results determine that the most profitable companies from the prospective of investors is “Apranga”, “Pieno Žvaigždės” and “Rokiškio sūris”. Companies produce the first importance products, which can not be refused from the purchasing list even during the time of economic recession. Significant change of ROE is defined in 2009 by the “Vilniaus baldai”. European recovering increases demand of emerging markets production because of the lower production costs.



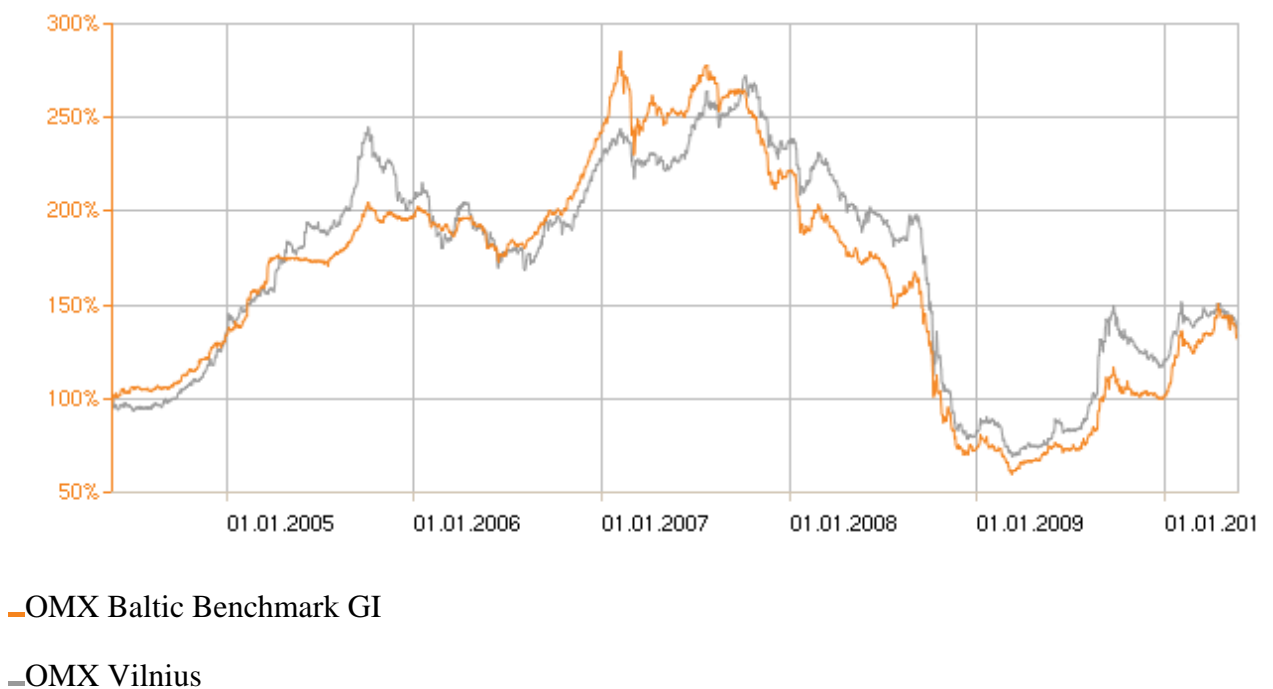
**Figure 15.** ROE (changes in %)

Description of share price, capitalization rate and return on equity are able in simple way to reflect the situation on the stock market. First attitude of investor is generated by the significant financial data rates. Moreover, high rating is influenced by the transparent company governance. Correlation coefficients confirm the relation between the share price, capitalization rate, ROE and transparency of the company governance. The most significant correlation rate is estimated between the transparency and the price of share and is equal to 0.78.

**Table 12.** Companies ranking of financial rates from the perspective of investors

Company	Ranking according to the price of share	Ranking according to the rate of capitalization	Ranking according to ROE	Total rank	Transparency ranking
Apranga	6	3	1-2	<b>4</b>	5-6
Lietuvos dujos	5	6-7	8	<b>7</b>	1
Pieno žvaigždės	3-4	6-7	3-4	<b>5</b>	4
Rokiškio sūris	7	5	5	<b>6</b>	5
Sanitas	1	2	7	<b>3</b>	2-3
Utenos trikotažas	8	8	6	<b>8</b>	7-8
Vilniaus baldai	3-4	1	3-4	<b>2</b>	6-7
Vilkyškių pieninė	2	4	1-2	<b>1</b>	3

Correlation coefficient confirms the relation among the listed financial data and introduction of the transparent company governance. Moreover, during the first steps of introduction of the transparent company governance, index of OMX arises approximately in 100 %. The figure below reflects significant changes in Lithuanian stock exchange market.

**Figure 16.** Comparative Baltic Stock Indexes

## CONCLUSIONS

1. Corporate governance paramount importance has grown globally due to many circumstances such as economic crisis, transitions to the market economies, evaluation of the new global economy, growth of multinational companies, systematic failure of investors' protection mechanism, and weak capital market regulation.
2. Corporate governance is highly complicated, unclear, inconsistent and subjective. There is not comprehensive definition in fact that corporate governance defines the structure of rights and responsibilities among the boards, shareholders and stakeholders. Moreover, an appropriate organization management depends on a company ability to create and develop transparency motion between inside and outside, as well as among the current and potential investors. In general, good corporate governance attracts investments and generates higher profitability.
3. Effective corporate governance is a key issue not just for developed but more over for developing countries. Well managed corporate governance coordinates resources, attracts lower cost investment capital, improves domestic and international confidence of investors, reduces corruption level and increases transparency of the company. However, implementation problem of corporate governance arises from the lack of information and misunderstanding.
4. After many financial crisis and scandals, transparency in corporate governance is intersection between the public rights to know and corporation rights to privacy. As long as investors and shareholders are given clear and accessible information, the market can be allowed to do the rest.
5. Transparent company would disclosure such things as a risk management, compensation policies, company indicators, industrial benchmarks, board of directors' composition, management structure and responsibilities, environmental impact, ownership structures and influences, commitment to social responsibility, human rights protection, investment criteria, stakeholders' rights and relations. Differences between transparent company requirements and reality could be disclosure by the Transparency Measurement Tool.
6. Transparency is evaluated as leverage between risk and cost of capital. Creditors and investors consider good governance and transparency as a sign of company strength. Poor governance and lack of transparency is considered as risky from the perspective of investors. Better management decisions, better performance, and lower cost of funds are result of active information dynamic, and reflect in the investment manner.

7. Lithuania is listed as a country of an emerging economy. In this case, well-operating corporate governance of Lithuanian companies is of substantial importance for both local and external investors. It increases access to capital and enhance growth. For reason like this, Lithuania implemented corporate governance code for a companies listed on Vilnius Stock Exchange in 2004.
8. Unfortunately, just minority Lithuanian companies introduce corporate governance code. There are many reasons for companies' decision to refuse corporate governance code. The main is uncertainty of Lithuanian legislation, which represents Lithuania as an opaque market from the perspective of investors. High development cost of corporate governance for SME's is counted as another one. The third reason defines differences between Western and Eastern economies, which generate various results by introducing the same experience.
9. Regarding to Lithuanian business structure, majority of companies are concerned as one tier management companies, which refuses existence of the Supervisory Board. Despite the strict company regulation transparency case is not reliable on entire assurance in Lithuania. Separation of the boards develops appropriate balance of power, accountability and improvement of board decision making policy, such as independency, transparent management and justice, which contains the prior significance for domestic and external investors.
10. Attitude of current and future investors is reflected on answers provided by the respondents of questionnaire. Lithuanian companies were defined as translucent because of the lack of information about the management structure, shareholders rights and responsibilities, availability of financial data and uncertainty of Lithuanian Law on company governance. Mentioned aspects are basic for the transparent company governance as well as for the attraction of domestic and foreign investors. Lack of confidence develops investors' doubts regarding to their decision to invest in Lithuanian companies.
11. Transparent company governance influence on the investors' decision is complicated to evaluate. Multi-criteria methods were involved to evaluate significance of transparency on attitude of investors. The most widely known and in current investigation used methods are SR and SAW. The estimated results were compared with the estimation of the experts. Ranking of the considered methods do not differ much. Mathematic methods and experts opinion is in agreement. Moreover, companies ranking of transparency and ranking of financial rates are quite similar and proves thesis of investment attraction based on transparent company governance.

12. Multi-criteria evaluation of corporate governance transparency defined the most significant aspects of transparency of Lithuanian companies listed on Vilnius Stock Exchange. The amount of investments, capitalization, profit and structure of shareholders are listed as preferable aspects of transparent company. Regarding to selected criteria, the most transparent company listed on Vilnius Stock Exchange is “Lietuvos dujos”. However, estimation of financial data evaluates this company as one of the most opaque. Thus, Annual Report of “Lietuvos dujos” is not transparent. Result emphasizes information importance for confidence, trust and responsibility development.
13. Current investigation reveals the transparent governance importance from the perspective of investors. The significant relation was proved by correlation coefficient between the company transparency and price of the share. Evaluation was equal to 0.78. Moreover, introduction of the transparent company governance boosts OMX Vilnius index approximately in 100 %.
14. Self-regulation trends are relatively new to Lithuanian business environment. Thus, Lithuanian companies are required to disclose information about the executive remuneration, attendance of smaller shareholders in Annual General Meeting, the overall communication between management and stakeholders should be improved.
15. Development of Corporate Governance Code was implemented by Vilnius Stock Exchange in 2004. Even during the short period influence of code is appreciable. Growth of shares price and OMX index reflects sensitivity of investors regarding to implementation of the corporate governance transparency. Importance of the transparent governance was proved by mathematical estimations and evaluation of financial data. The more transparent company is the higher involvement of investors is determined.

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## **APPENDIX**

## Appendix A

### Questionnaire (Lithuanian)

1. Organizacijos, kurioje dirbote ar dirbate, tipas.
  - Individuali veikla
  - Individuali įmonė
  - UAB
  - AB
  - Valstybinė įmonė
  - Kita
2. Kokia akcijų dalis priklauso pagrindiniams akcininkams?
  - Mažiau nei 50 %
  - 50 %
  - Daugiau nei 50 %
  - Nežinau
3. Ar dalis įmonės akcijų paketo priklauso kitam juridiniam asmeniui?
  - Taip
  - Ne
  - Nežinau
4. Kaip dažnai rengiami visuotiniai akcininkų susirinkimai?
  - Vieną kartą per mėnesį
  - Kartą per ketvirtį
  - Į pusę metų kartą
  - Kartą per metus
  - Nežinau
5. Ar įmonės, kurioje dirbate, Valdymo Tarybą sudaro daugiau nei 50 % aukštesnio lygio vadovų?
  - Taip
  - Ne
  - Tokios įmonėje nėra
  - Nežinau
6. Ar Jūsų įmonėje yra įdarbinami vadovų, pagrindinių akcininkų šeimos nariai ir kitais giminystės ryšiais susiję asmenys?

## Appendix A (continue)

- Taip
- Ne
- Nežinau

7. Kas Jūsų įmonėje atlieka auditoriaus funkciją?

- Įmonės darbuotojai
- Samdomi nepriklausomi auditoriai (Įmonės, teikiančios audito paslaugas)
- Nežinau

8. Kaip dažnai keičiami auditą atliekantys asmenys (įmonės darbuotojai, samdomi nepriklausomi auditoriai)?

- Nesikeičia
- Kartą per metus
- Kartą per 5 metus
- Kartą per 7 metus
- Nežinau
- Kita

9. Ar rengiant įmonės veiklos ataskaitas vadovaujamasi Tarptautiniais finansinės apskaitos standartais, finansiniais apskaitos ar kitais standartais?

- Taip
- Ne
- Nežinau

10. Kaip dažnai rengiamos įmonės veiklos ataskaitos? (galimi keli variantai)

- Kas mėnesį
- Kas ketvirtį
- Kas pusmetį
- Kas metus
- Nežinau

## Appendix A (continue)

11. Žemiau išvardinti svarbiausi įmonės veiklos aspektai. Įvertinkite jų skaidrumo lygį remdamiesi įmonės, kurioje dirbate, pavyzdžiu.

	Rizikos valdymas	Darbo sauga	Darbuotojų teisių gynimas	Finansinė ataskaita	Įmonės valdymas	Standartų diegimas ir laikymasis	Aplinkos įtaka	Įmonės vertybės	Personalo valdymas	Taškų suma
Labai blogai										
Blogai										
Vidutiniškai										
Gera										
Labai gerai										

12. Ar esate patenkinti Lietuvos įmonių pateikiamos informacijos apie savo vykdomą veiklą teisingumu, prieinamumu ir vertingumu?

- Taip, visiškai
- Patenkintas
- Labiau patenkintas nei nepatenkintas
- Nepatenkintas
- Visiškai nepatenkintas
- Neturiu nuomonės

13. Jūsų amžius

- iki 25 metų
- 26-35 metai
- 36-45 metai
- 46-55 metai
- 56-65 metai
- vyresnis nei 65 metai

14. Jūsų lytis

- Vyras
- Moteris

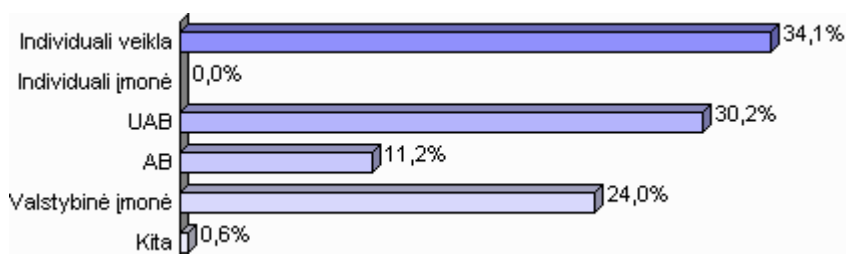


## Appendix B

### Answers of Questionnaire (Lithuanian)

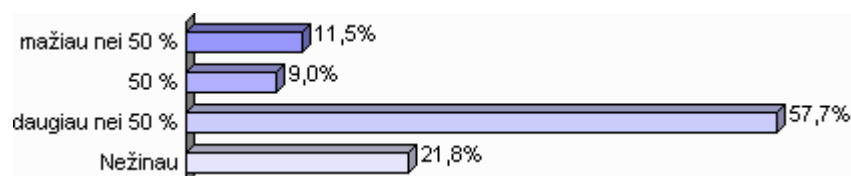
1. Organizacijos, kurioje dirbote ar dirbate, tipas.

	Respondentų skaičius	Dalis išreikšta procentais, %
Individuali veikla	<b>61</b>	<b>34,1%</b>
Individuali įmonė	<b>0</b>	<b>0,0%</b>
UAB	<b>54</b>	<b>30,2%</b>
AB	<b>20</b>	<b>11,2%</b>
Valstybinė įmonė	<b>43</b>	<b>24,0%</b>
Kita	<b>1</b>	<b>0,6%</b>
<b>Iš viso</b>	<b>179</b>	<b>100,0%</b>



2. Kokia akcijų dalis priklauso pagrindiniams akcininkams?

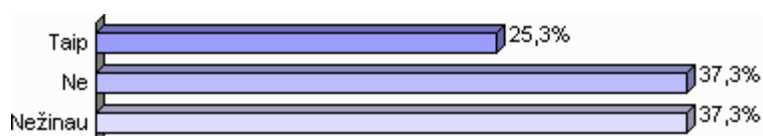
	Respondentų skaičius	Dalis išreikšta procentais, %
Mažiau nei 50 %	<b>9</b>	<b>11,5%</b>
50 %	<b>7</b>	<b>9,0%</b>
Daugiau nei 50 %	<b>45</b>	<b>57,7%</b>
Nežinau	<b>17</b>	<b>21,8%</b>
<b>Iš viso</b>	<b>78</b>	<b>100,0%</b>



## Appendix B (continue)

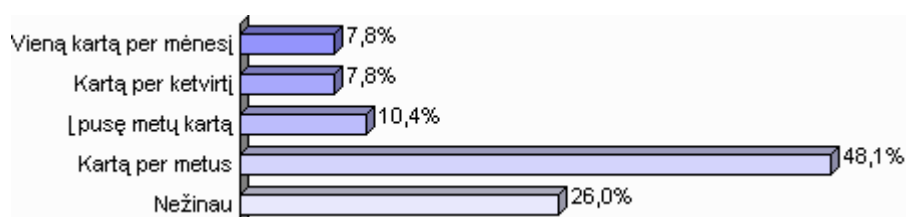
3. Ar dalis įmonės akcijų paketo priklauso kitam juridiniam asmeniui?

	Respondentų skaičius	Dalis išreikšta procentais, %
Taip	<b>19</b>	<b>25,3%</b>
Ne	<b>28</b>	<b>37,3%</b>
Nežinau	<b>28</b>	<b>37,3%</b>
<b>Iš viso</b>	<b>75</b>	<b>100,0%</b>



4. Kaip dažnai rengiami visuotiniai akcininkų susirinkimai?

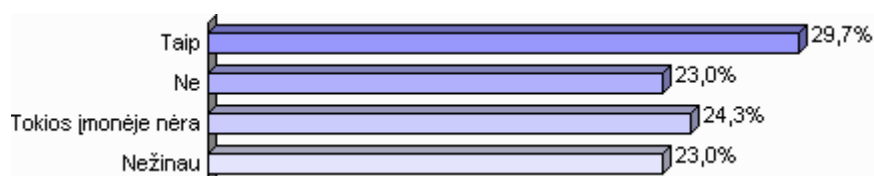
	Respondentų skaičius	Dalis išreikšta procentais, %
Vieną kartą per mėnesį	<b>6</b>	<b>7,8%</b>
Kartą per ketvirtį	<b>6</b>	<b>7,8%</b>
Į pusę metų kartą	<b>8</b>	<b>10,4%</b>
Kartą per metus	<b>37</b>	<b>48,1%</b>
Nežinau	<b>20</b>	<b>26,0%</b>
<b>Iš viso</b>	<b>77</b>	<b>100,0%</b>



## Appendix B (continue)

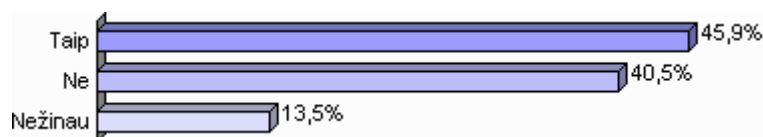
5. Ar įmonės, kurioje dirbate, Valdymo Tarybą sudaro daugiau nei 50 % aukštesnio lygio vadovų?

	Respondentų skaičius	Dalis išreikšta procentais, %
Taip	<b>22</b>	<b>29,7%</b>
Ne	<b>17</b>	<b>23,0%</b>
Tokios įmonėje nėra	<b>18</b>	<b>24,3%</b>
Nežinau	<b>17</b>	<b>23,0%</b>
<b>Iš viso</b>	<b>74</b>	<b>100,0%</b>



6. Ar Jūsų įmonėje yra įdarbinami vadovų, pagrindinių akcininkų šeimos nariai ir kitais giminystės ryšiais susiję asmenys?

	Respondentų skaičius	Dalis išreikšta procentais, %
Taip	<b>34</b>	<b>45,9%</b>
Ne	<b>30</b>	<b>40,5%</b>
Nežinau	<b>10</b>	<b>13,5%</b>
<b>Iš viso</b>	<b>74</b>	<b>100,0%</b>



## Appendix B (continue)

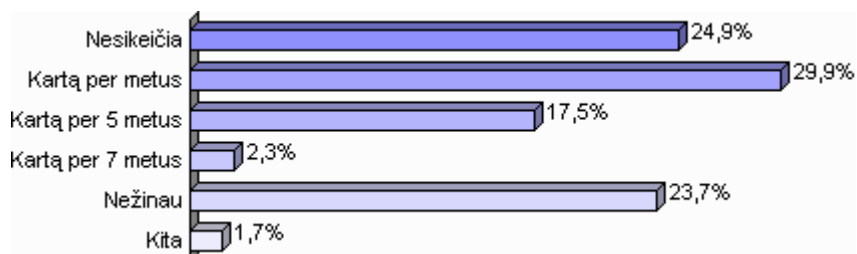
### 7. Kas Jūsų įmonėje atlieka auditoriaus funkciją?

	Respondentų skaičius	Dalis išreikšta procentais, %.
Įmonės darbuotojai	<b>75</b>	<b>42,6%</b>
Samdomi nepriklausomi auditoriai (Įmonės, teikiančios audito paslaugas)	<b>39</b>	<b>22,2%</b>
Nežinau	<b>62</b>	<b>35,2%</b>
<b>Iš viso</b>	<b>176</b>	<b>100,0%</b>



### 8. Kaip dažnai keičiami audita atliekantys asmenys (įmonės darbuotojai, samdomi nepriklausomi auditoriai)?

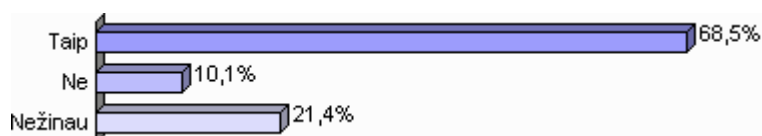
	Respondentų skaičius	Dalis išreikšta procentais, %.
Nesikeičia	<b>44</b>	<b>24,9%</b>
Kartą per metus	<b>53</b>	<b>29,9%</b>
Kartą per 5 metus	<b>31</b>	<b>17,5%</b>
Kartą per 7 metus	<b>4</b>	<b>2,3%</b>
Nežinau	<b>42</b>	<b>23,7%</b>
Kita	<b>3</b>	<b>1,7%</b>
<b>Iš viso</b>	<b>177</b>	<b>100,0%</b>



## Appendix B (continue)

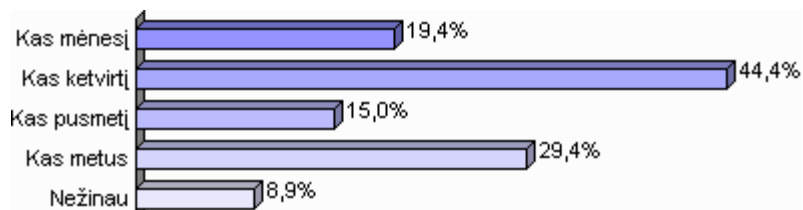
9. Ar rengiant įmonės veiklos ataskaitas vadovaujamasi Tarptautiniais finansinės apskaitos standartais, finansiniais apskaitos ar kitais standartais?

	Respondentų skaičius	Dalis išreikšta procentais, %.
Taip	<b>115</b>	<b>68,5%</b>
Ne	<b>17</b>	<b>10,1%</b>
Nežinau	<b>36</b>	<b>21,4%</b>
<b>Iš viso</b>	<b>168</b>	<b>100,0%</b>



10. Kaip dažnai rengiamos įmonės veiklos ataskaitos? (galimi keli variantai)

	Respondentų skaičius	Dalis išreikšta procentais, %.
Kas mėnesį	<b>35</b>	<b>19,4%</b>
Kas ketvirtį	<b>80</b>	<b>44,4%</b>
Kas pusmetį	<b>27</b>	<b>15,0%</b>
Kas metus	<b>53</b>	<b>29,4%</b>
Nežinau	<b>16</b>	<b>8,9%</b>
<b>Iš viso</b>	<b>180</b>	

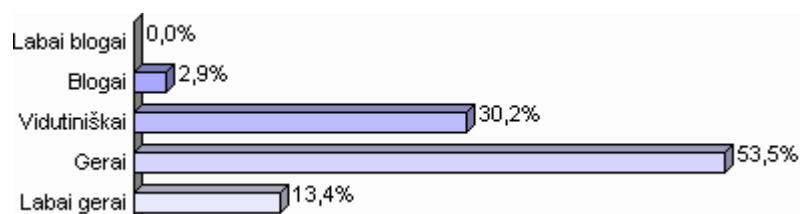


## Appendix B (continue)

11. Žemiau išvardinti svarbiausi įmonės veiklos aspektai. Įvertinkite jų skaidrumo lygį remdamiesi įmonės, kurioje dirbate, pavyzdžiu.

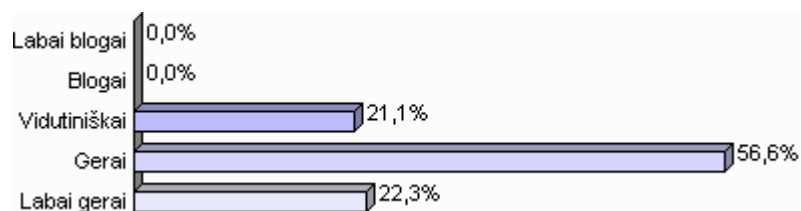
- Rizikos valdymas

	Respondentų skaičius	Dalis išreikšta procentais, %
Labai blogai	<b>0</b>	<b>0,0%</b>
Blogai	<b>5</b>	<b>2,9%</b>
Vidutiniškai	<b>52</b>	<b>30,2%</b>
Gera	<b>92</b>	<b>53,5%</b>
Labai gerai	<b>23</b>	<b>13,4%</b>
<b>Iš viso</b>	<b>172</b>	<b>100,0%</b>



- Darbo sauga

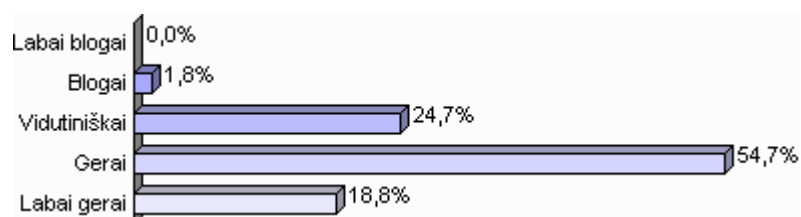
	Respondentų skaičius	Dalis išreikšta procentais, %
Labai blogai	<b>0</b>	<b>0,0%</b>
Blogai	<b>0</b>	<b>0,0%</b>
Vidutiniškai	<b>37</b>	<b>21,1%</b>
Gera	<b>99</b>	<b>56,6%</b>
Labai gerai	<b>39</b>	<b>22,3%</b>
<b>Iš viso</b>	<b>175</b>	<b>100,0%</b>



## Appendix B (continue)

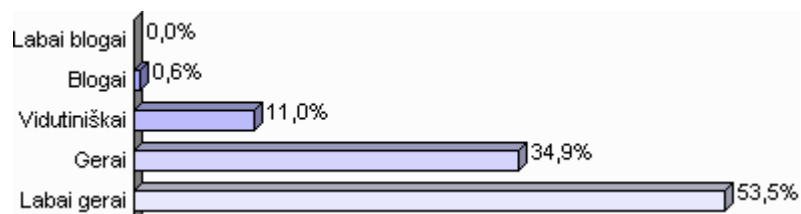
- Darbuotojų teisių gynimas

	Respondentų skaičius	Dalis išreikšta procentais, %
Labai blogai	<b>0</b>	<b>0,0%</b>
Blogai	<b>3</b>	<b>1,8%</b>
Vidutiniškai	<b>42</b>	<b>24,7%</b>
Gerai	<b>93</b>	<b>54,7%</b>
Labai gerai	<b>32</b>	<b>18,8%</b>
<b>Iš viso</b>	<b>170</b>	<b>100,0%</b>



- Finansinė ataskaita

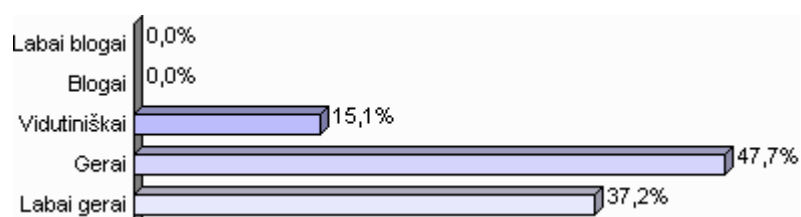
	Respondentų skaičius	Dalis išreikšta procentais, %
Labai blogai	<b>0</b>	<b>0,0%</b>
Blogai	<b>1</b>	<b>0,6%</b>
Vidutiniškai	<b>19</b>	<b>11,0%</b>
Gerai	<b>60</b>	<b>34,9%</b>
Labai gerai	<b>92</b>	<b>53,5%</b>
<b>Iš viso</b>	<b>172</b>	<b>100,0%</b>



## Appendix B (continue)

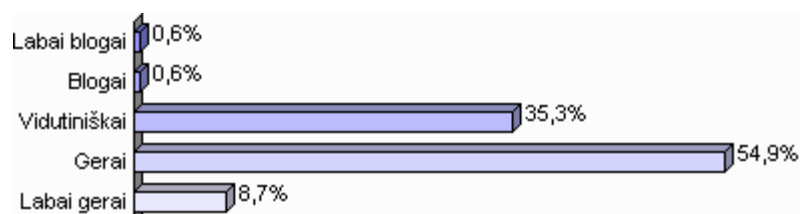
- Įmonės valdymas

	Respondentų skaičius	Dalis išreikšta procentais, %
Labai blogai	<b>0</b>	<b>0,0%</b>
Blogai	<b>0</b>	<b>0,0%</b>
Vidutiniškai	<b>26</b>	<b>15,1%</b>
Gera	<b>82</b>	<b>47,7%</b>
Labai gera	<b>64</b>	<b>37,2%</b>
<b>Iš viso</b>	<b>172</b>	<b>100,0%</b>



- Aplinkos įtaka

	Respondentų skaičius	Dalis išreikšta procentais, %
Labai blogai	<b>1</b>	<b>0,6%</b>
Blogai	<b>1</b>	<b>0,6%</b>
Vidutiniškai	<b>61</b>	<b>35,3%</b>
Gera	<b>95</b>	<b>54,9%</b>
Labai gera	<b>15</b>	<b>8,7%</b>
<b>Iš viso</b>	<b>173</b>	<b>100,0%</b>

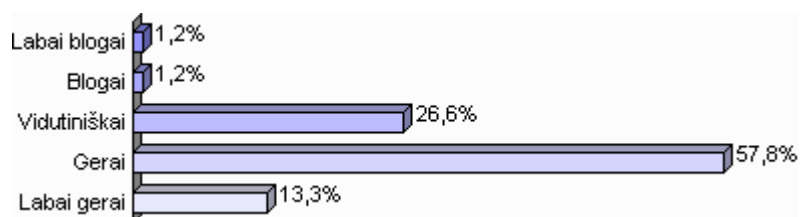




## Appendix B (continue)

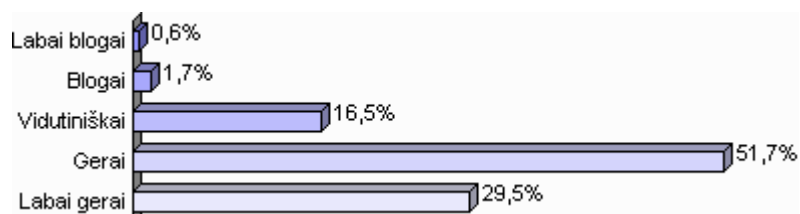
- Įmonės vertybės

	Respondentų skaičius	Dalis išreikšta procentais, %
Labai blogai	2	1,2%
Blogai	2	1,2%
Vidutiniškai	46	26,6%
Gera	100	57,8%
Labai gera	23	13,3%
<b>Iš viso</b>	<b>173</b>	<b>100,0%</b>



- Personalo valdymas

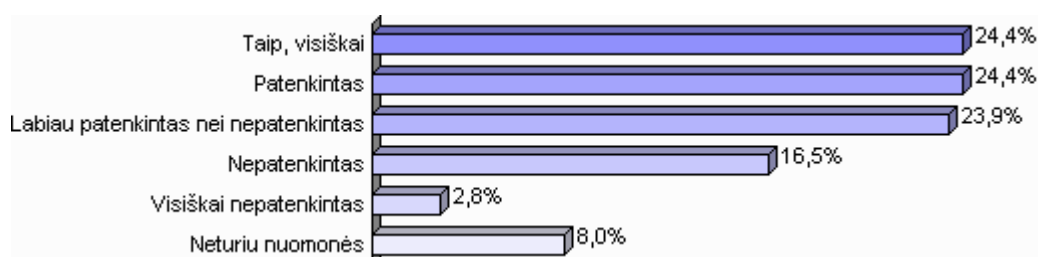
	Respondentų skaičius	Dalis išreikšta procentais, %
Labai blogai	1	0,6%
Blogai	3	1,7%
Vidutiniškai	29	16,5%
Gera	91	51,7%
Labai gera	52	29,5%
<b>Iš viso</b>	<b>176</b>	<b>100,0%</b>



## Appendix B (continue)

11. Ar esate patenkinti Lietuvos įmonių pateikiamos informacijos apie savo vykdomą veiklą teisingumu, prieinamumu ir vertingumu?

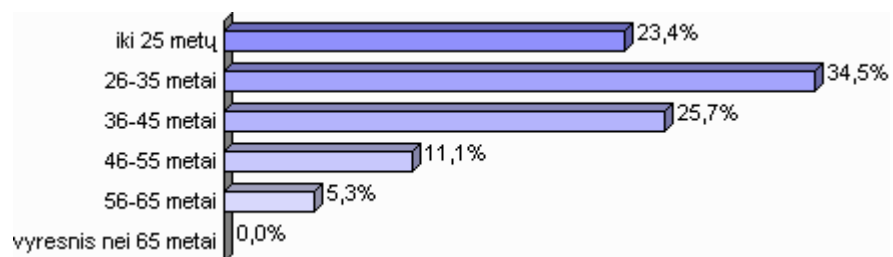
	Respondentų skaičius	Dalis išreikšta procentais, %.
Taip, visiškai	<b>43</b>	<b>24,4%</b>
Patenkintas	<b>43</b>	<b>24,4%</b>
Labiau patenkintas nei nepatenkintas	<b>42</b>	<b>23,9%</b>
Nepatenkintas	<b>29</b>	<b>16,5%</b>
Visiškai nepatenkintas	<b>5</b>	<b>2,8%</b>
Neturiu nuomonės	<b>14</b>	<b>8,0%</b>
<b>Iš viso</b>	<b>176</b>	<b>100,0%</b>



12. Jūsų amžius

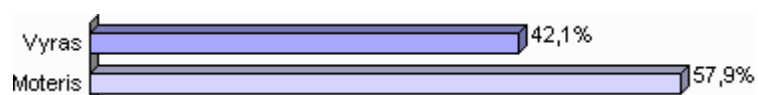
	Respondentų skaičius	Dalis išreikšta procentais, %.
iki 25 metų	<b>40</b>	<b>23,4%</b>
26-35 metai	<b>59</b>	<b>34,5%</b>
36-45 metai	<b>44</b>	<b>25,7%</b>
46-55 metai	<b>19</b>	<b>11,1%</b>
56-65 metai	<b>9</b>	<b>5,3%</b>
vyresnis nei 65 metai	<b>0</b>	<b>0,0%</b>
<b>Iš viso</b>	<b>171</b>	<b>100,0%</b>

## Appendix B (continue)



### 13. Jūsų lytis

	Respondentų skaičius	Dalis išreikšta procentais, %.
Vyras	75	42,1%
Moteris	103	57,9%
Iš viso	178	100,0%



## Appendix C

### Answers of Questionnaire (adjusted to English)

#### 1. Type of Organization.

	No	%
Private activity	<b>61</b>	<b>34,1%</b>
Privately held companies	<b>0</b>	<b>0,0%</b>
Limited Company (Ltd)	<b>54</b>	<b>30,2%</b>
Private Limited Company (P.l.c.)	<b>20</b>	<b>11,2%</b>
Government Enterprise	<b>43</b>	<b>24,0%</b>
Other	<b>1</b>	<b>0,6%</b>
<b>Total</b>	<b>179</b>	<b>100,0%</b>

#### 2. Which part of shares belongs to main shareholder?

	No	%
Less than 50%	<b>9</b>	<b>11,5%</b>
50 %	<b>7</b>	<b>9,0%</b>
More than 50 %	<b>45</b>	<b>57,7%</b>
Uncertain	<b>17</b>	<b>21,8%</b>
<b>Total</b>	<b>78</b>	<b>100,0%</b>

#### 3. Is the majority shares owned by the legal entity?

	No	%
Yes	<b>19</b>	<b>25,3%</b>
No	<b>28</b>	<b>37,3%</b>
Uncertain	<b>28</b>	<b>37,3%</b>
<b>Total</b>	<b>75</b>	<b>100,0%</b>

## Appendix C (continue)

4. Frequency of AGM arrangement in the company.

	No	%
One time per month	<b>6</b>	<b>7,8%</b>
One time per quarter	<b>6</b>	<b>7,8%</b>
One time in six months	<b>8</b>	<b>10,4%</b>
One time per year	<b>37</b>	<b>48,1%</b>
Uncertain	<b>20</b>	<b>26,0%</b>
<b>Total</b>	<b>77</b>	<b>100,0%</b>

5. Do non-executive directors account for more than 50 % of the executive board?

	No	%
Yes	<b>22</b>	<b>29,7%</b>
No	<b>17</b>	<b>23,0%</b>
Do not exist	<b>18</b>	<b>24,3%</b>
Uncertain	<b>17</b>	<b>23,0%</b>
<b>Total</b>	<b>74</b>	<b>100,0%</b>

6. Is relative employment permitted in company?

	No	%
Yes	<b>34</b>	<b>45,9%</b>
No	<b>30</b>	<b>40,5%</b>
Uncertain	<b>10</b>	<b>13,5%</b>
<b>Total</b>	<b>74</b>	<b>100,0%</b>

7. Who is admitted to auditors in company of Yours?

	No	%
Employees of the company	<b>75</b>	<b>42,6%</b>
Independent auditors	<b>39</b>	<b>22,2%</b>
Uncertain	<b>62</b>	<b>35,2%</b>
<b>Total</b>	<b>176</b>	<b>100,0%</b>

## Appendix C (continue)

### 8. Frequency in changes of auditors

	No	%
No changes	<b>44</b>	<b>24,9%</b>
One time per year	<b>53</b>	<b>29,9%</b>
One time in 5 years	<b>31</b>	<b>17,5%</b>
One time in 7 years	<b>4</b>	<b>2,3%</b>
Uncertain	<b>42</b>	<b>23,7%</b>
Other	<b>3</b>	<b>1,7%</b>
<b>Total</b>	<b>177</b>	<b>100,0%</b>

### 9. Are IFA or other standards acceptable in Your company?

	No	%
Yes	<b>115</b>	<b>68,5%</b>
No	<b>17</b>	<b>10,1%</b>
Uncertain	<b>36</b>	<b>21,4%</b>
<b>Total</b>	<b>168</b>	<b>100,0%</b>

### 10. How often Report about the company activities is arranged (choose many)?

	No	%
One time per month	<b>35</b>	<b>19,4%</b>
One time per quarter	<b>80</b>	<b>44,4%</b>
One time in six month	<b>27</b>	<b>15,0%</b>
One time per year	<b>53</b>	<b>29,4%</b>
Uncertain	<b>16</b>	<b>8,9%</b>
<b>Total</b>	<b>180</b>	

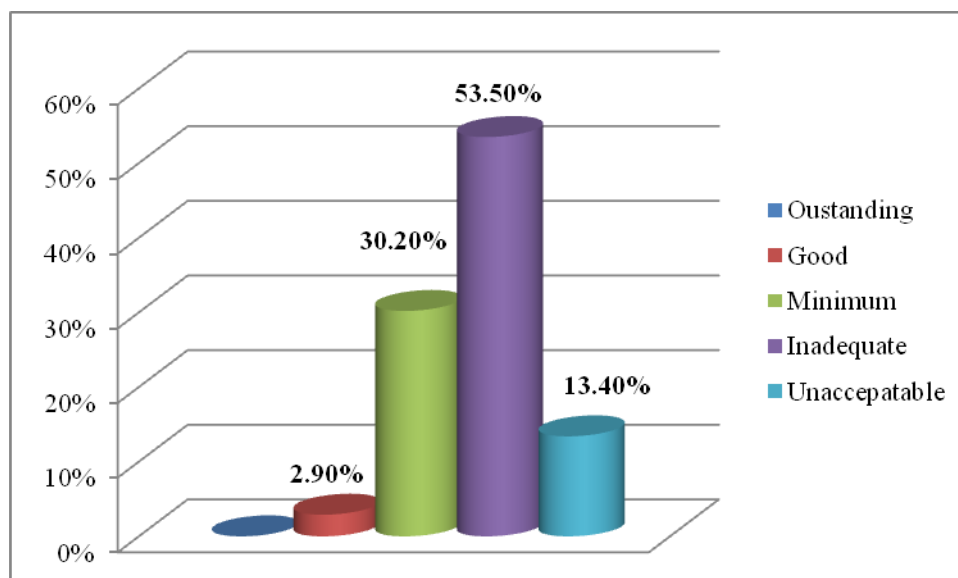
## Appendix C (continue)

11. Evaluate the transparency from different perspective of the company. As example would be excepted company of yours.

### 11.1 Risk Management

Mean 3.77

	No	%
Unacceptable	0	0,0%
Inadequate	5	2,9%
Minimum	52	30,2%
Good	92	53,5%
Outstanding	23	13,4%
<b>Total</b>	<b>172</b>	<b>100,0%</b>

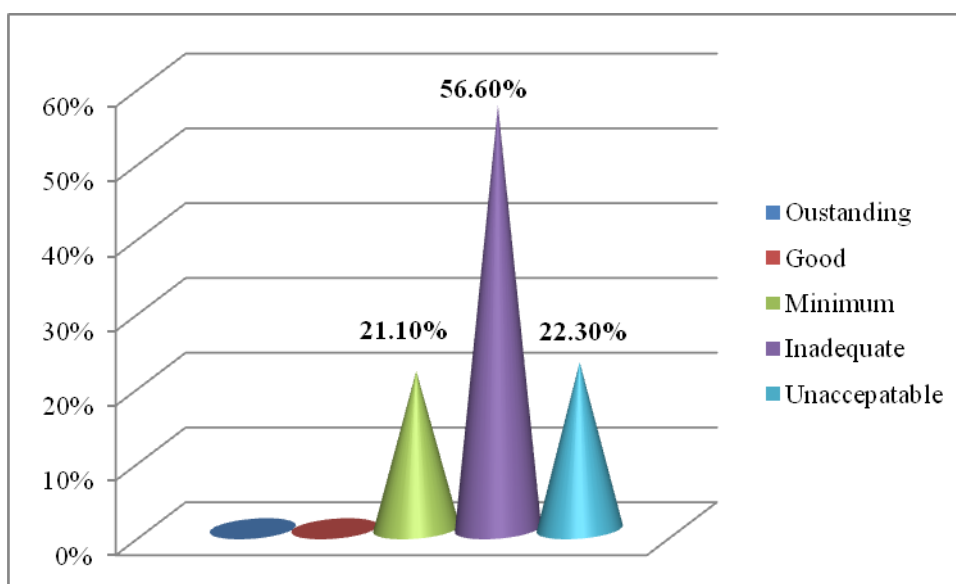


## Appendix C (continue)

### 11.2 OSHA

Mean 3.91

	No	%
Unacceptable	0	0,0%
Inadequate	0	0,0%
Minimum	37	21,1%
Good	99	56,6%
Outstanding	39	22,3%
<b>Total</b>	<b>175</b>	<b>100,0%</b>



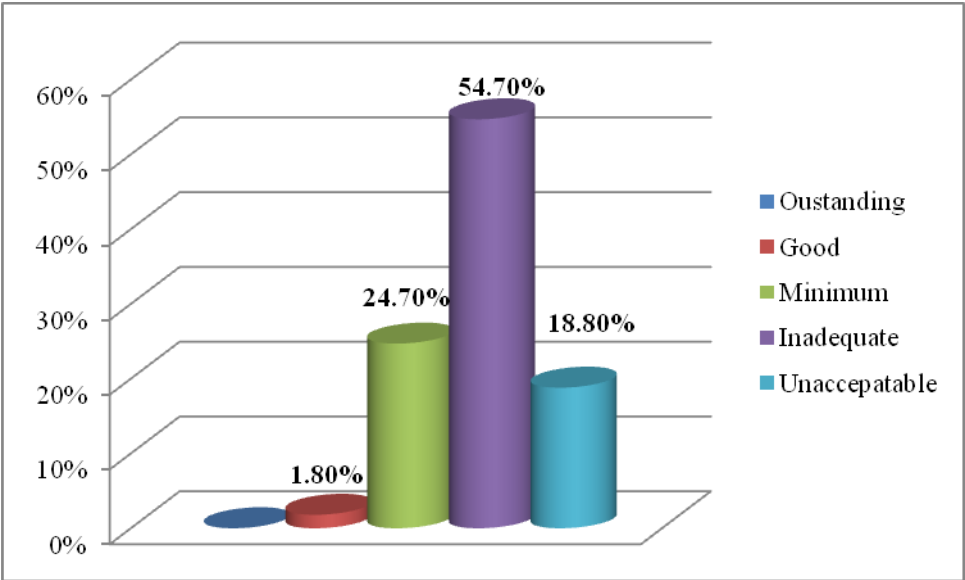


**Appendix C (continue)**

11.3 Stakeholder Voice

Mean 3.91

	No	%
Unacceptable	0	0,0%
Inadequate	3	1,8%
Minimum	42	24,7%
Good	93	54,7%
Outstanding	32	18,8%
<b>Total</b>	<b>170</b>	<b>100,0%</b>

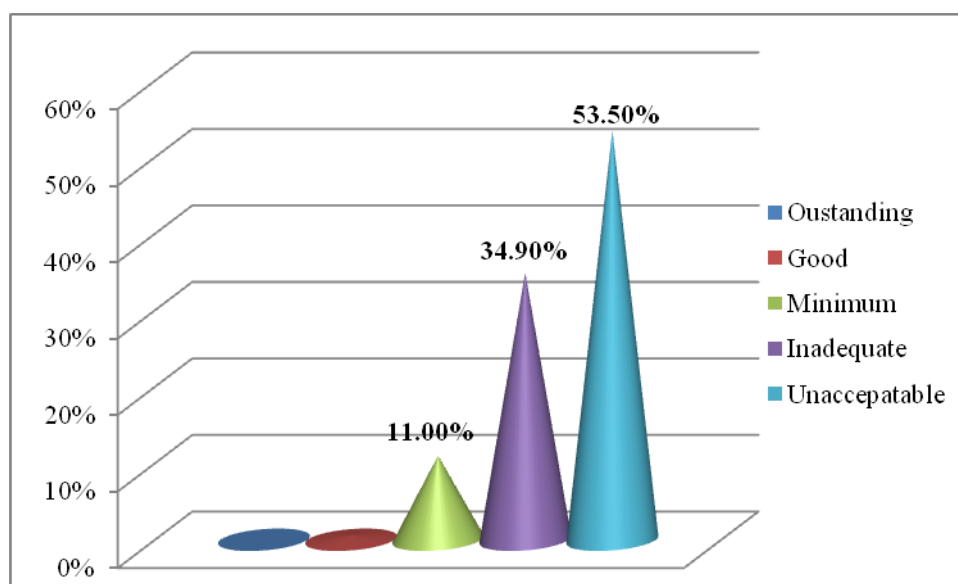


## Appendix C (continue)

### 11.4 Financial Data

Mean 4.41

	No	%
Unacceptable	0	0,0%
Inadequate	1	0,6%
Minimum	19	11,0%
Good	60	34,9%
Outstanding	92	53,5%
<b>Total</b>	<b>172</b>	<b>100,0%</b>

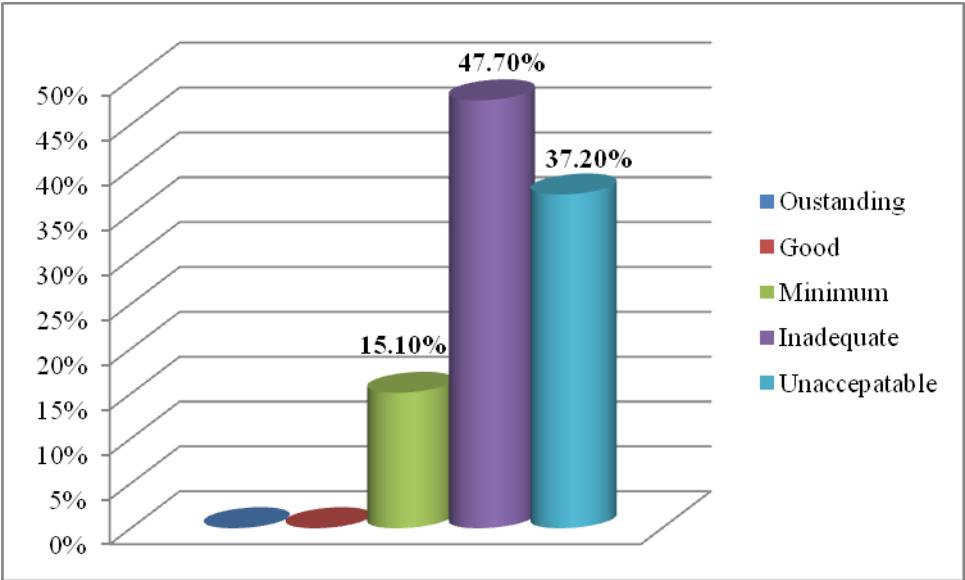


**Appendix C (continue)**

11.5 Company management

Mean 4.22

	No	%
Unacceptable	0	0,0%
Inadequate	0	0,0%
Minimum	26	15,1%
Good	82	47,7%
Outstanding	64	37,2%
<b>Total</b>	<b>172</b>	<b>100,0%</b>

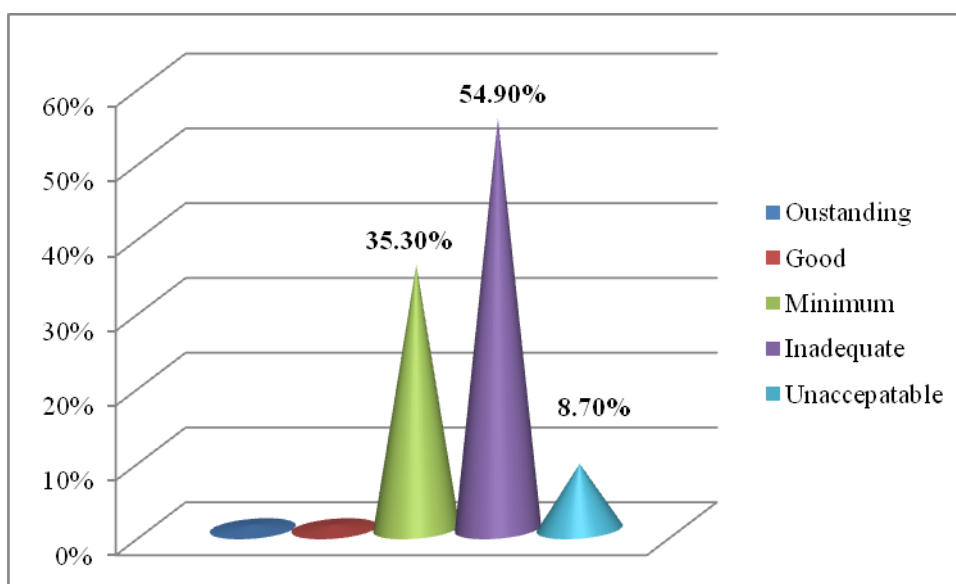


## Appendix C (continue)

### 11.6 Environmental Impact

Mean 3.71

	No	%
Unacceptable	1	0,6%
Inadequate	1	0,6%
Minimum	61	35,3%
Good	95	54,9%
Outstanding	15	8,7%
<b>Total</b>	<b>173</b>	<b>100,0%</b>

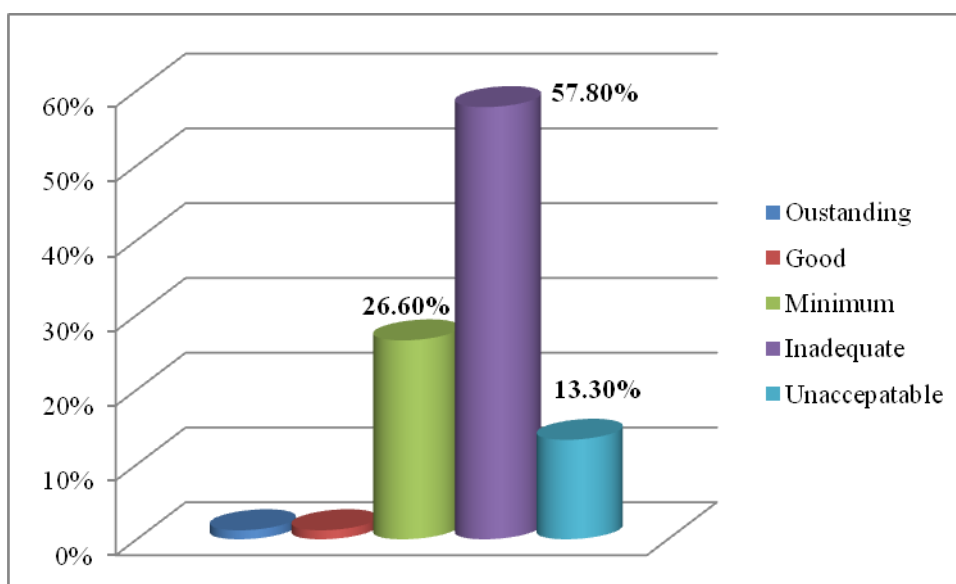


## Appendix C (continue)

### 11.7 Company values

Mean 3.81

	No	%
Unacceptable	2	1,2%
Inadequate	2	1,2%
Minimum	46	26,6%
Good	100	57,8%
Outstanding	23	13,3%
<b>Total</b>	<b>173</b>	<b>100,0%</b>

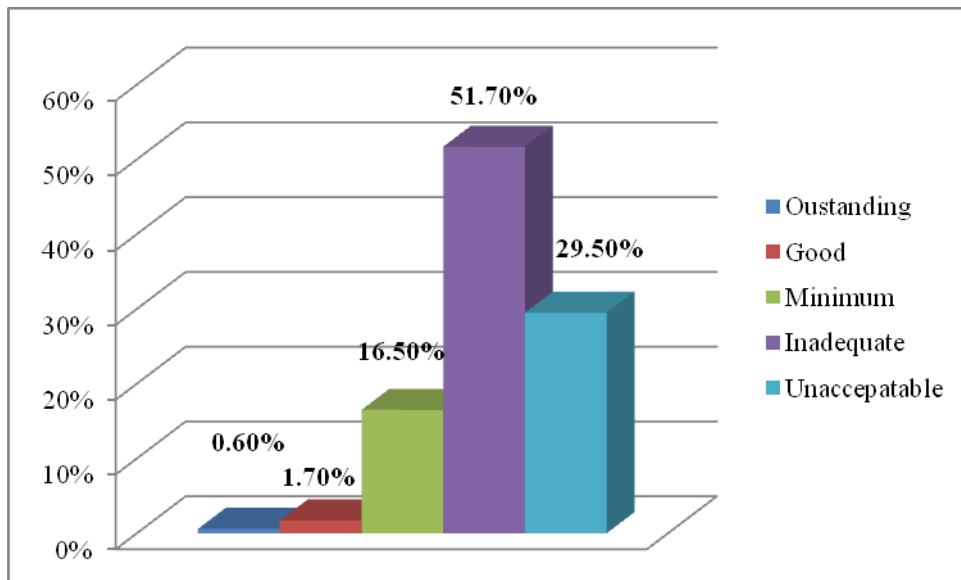


## Appendix C (continue)

### 11.8 Human Rights

Mean 4.08

	No	%
Unacceptable	1	0,6%
Inadequate	3	1,7%
Minimum	29	16,5%
Good	91	51,7%
Outstanding	52	29,5%
<b>Total</b>	<b>176</b>	<b>100,0%</b>



12. Evaluate transparency of the company governance in Lithuania.

	No	%
Outstanding	43	24,4%
Good	43	24,4%
Minimum	42	23,9%
Inadequate	29	16,5%
Unacceptable	5	2,8%
Uncertain	14	8,0%
<b>Total</b>	<b>176</b>	<b>100,0%</b>

## Appendix C (continue)

### 13. Age

	No	%
Under 25	<b>40</b>	<b>23,4%</b>
26-35	<b>59</b>	<b>34,5%</b>
36-45	<b>44</b>	<b>25,7%</b>
46-55	<b>19</b>	<b>11,1%</b>
56-65	<b>9</b>	<b>5,3%</b>
Above 65	<b>0</b>	<b>0,0%</b>
<b>Total</b>	<b>171</b>	<b>100,0%</b>

### 14. Gender

	No	%
Male	<b>75</b>	<b>42,1%</b>
Female	<b>103</b>	<b>57,9%</b>
<b>Total</b>	<b>178</b>	<b>100,0%</b>