



**The Assessment of the Role of Corporate Governance
on Effective Performance: The Case of Habesha
Cement S.C.**

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DECLARATION

I, Tesfu Tekle, hereby declare that this thesis entitled “The Role of Corporate Governance on Effective Performance: The Case of Habesha Cement S.C.” was carried out by myself and that it is my original work that has never been presented to any other university or institution for any academic award. Where other sources of individuals’ research work were used, acknowledgement has been duly given.

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APPROVAL

This is to certify that this report entitled “Assessment of the Role of Corporate Governance on Effective Performance: The Case of Habesha Cement S.C” was carried out by Tesfu Tekle under my supervision and is submitted with my approval for examination.

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Abstract

The purpose of the study was to assess the role of corporate governance has on effective performance in Habesha Cement S.C. The study adopted a case study design and a sample size of 88 respondents comprising stakeholders was selected using simple random sampling. Data was collected using structured questionnaires and in-depth interviews. The data was analyzed using Microsoft excel and SPSS version 23. The major findings of the study revealed that there is a significant relationship between commitment to corporate governance, and effective performance and commitment to corporate governance was a predictor of Habesha Cement S.C performance. Likewise, a significant relationship was observed between transparency and disclosure, and organizational performance where transparency and disclosure was seen to be a predictor of Habesha Cement performance. Further still, the relationship between structural and functioning of the board, and effective performance showed a significant relationship. In conclusion, commitment to corporate governance, structural and functioning of the board and transparency and disclosure as dimensions of corporate governance, determine effective performance at Habesha Cement S.C. The study recommends, therefore, that management of Habesha Cement should make efforts to ensure the existence of commitment to corporate governance, structural and functioning of the board and transparency and disclosure so as to promote Habesha Cement performance. The stakeholders in the sector should develop strategies in line with the study variable dealings to enhance effective performance in the cement industry. The strategies will help foster the development and implementation of governance structures which promote profitability, growth, cost reduction and liquidity.

Key words: Commitment to Corporate Governance, Structural and Functioning of the Board, Transparency and Disclosure, Habesha Cement and ETHIOPIA

Acronyms

ANOVA Analysis of variance

AACCSA Addis Ababa Chamber of Commerce Sectorial Association

CG Corporate governance

CBE Commercial Bank of Ethiopia

CEO Chief Executives Officer

Com. C Commercial Code of Ethiopia

EICG Ethiopia institute of Corporate Governance

Ha Research Hypothesis

IDI In-depth Interview

OECD Organization for Economic Development and Cooperation

RQs Research Questions

S.C Share company

SPSS Statistical Package for Social Science Studies

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CHAPTER ONE:

INTRODUCTION

1.1 Background of the Study

Corporate governance is usually assumed as the way and practice to organizing, directing, and control the company. Corporate governance is the method designed to skillfully direct the company based on good corporate governance principles. Good corporate governance principles are commitment to corporate governance, structural and functioning of the board, transparency and disclosure.

The practice of corporate governance is strongly influenced by the parties involved in the management system of a company such as shareholders, board of directors, creditors, employees, and government. Good corporate governance is expected to enhance firm performance. The main objective of the putting into practice of good corporate governance is to optimize value for shareholders and stakeholders in the long run. The corporate governance framework also is subject to on the legal, regulatory, institutional and ethical environment of the community. Whereas the 20th century might be viewed as the age of management, the early 21st century is predicted to be more concentrated on governance. Both terms address control of corporations but governance has always required an investigation of underlying purpose and legitimacy (McRitchie, 1999).

For more than two decades, succeeding UK governments have been alarmed with modernizing the supply of public services and in search of performance improvements. As part of this drive, corporate governance arrangements across the sector have been rehabilitated and much greater consideration has been paid to the development, training and support of those serving on governing bodies and boards. A fundamental assumption of these shifts in policy is that enhancements in corporate governance preparations, and in particular the working of boards, will lead to progresses in effectiveness.

Sound corporate governance boosts the efficient use of resources and provides for accountability for those resources by managers. Institutions that exercise good corporate governance are very

likely to achieve organizational objectives and goals. Its major concern is shareholders and other stakeholders of the organization. In fact, it helps promote the general welfare of the society and should be of interest to the general public and governments. Corporate Governance broadly refers to the mechanisms, processes and relations by which corporations are regulated and directed. International Finance Corporation (IFC 2016) defines good corporate governance in five basic issues; commitment to corporate governance, good board practices, appropriate control environment, disclosure and transparency and shareholder rights. And various African countries have adopted the corporate conduct principle in recent decade and Ethiopia is one of those countries who try to implement at the institution level.

Even if Ethiopia started to implement corporate governance principles recently but the country had corporate law before like other countries. In The formal and proper way has formed in the paired of Menelik II regime. However, the then small and a few firms were in the hand of foreigners, whose residence was in the Empire. The first Private Share Company in Ethiopia was, though, established in the name of agricultural and commercial development company of Ethiopia in 1909. The Company was established by Imperial Proclamation and the founders who signed the memorandum of association were the Emperor, the empress and other five officials of the emperor. The first Ethiopian company law was introduced in 1933 and the 1909 articles of association had provided significant contribution for the formation this company law (Pankhurst 1963).

Since 1960 with the entire problem Ethiopian business companies are regulated by the 1960 Ethiopian Commercial Code. Even though, financial sectors are regulated by Commercial Code and National Bank Directives, the remaining profit making companies that are not part of financial sector are only regulated by 1960 Commercial Code. In fact the Commercial Code of Ethiopia has basic rules on the governance of such companies. However, these rules are not adequate to safeguard minority as well as majority shareholders from undue exploitation.

Corporate governance has recently gotten much attention because of various world problems and corporate scandals. Accordingly, there are some efforts of reforming corporate governance in Ethiopia. For instance, the Federal Democratic Republic of Ethiopia (FDRE) Office of the Attorney General is revising the Commercial Code. A “Voluntary Code of Corporate Governance for Ethiopia” was also adopted by Addis Ababa Chamber of Commerce and

Sectorial Associations (AACCSA) on October 2013 with the name of “Ethiopian institute of corporate governance (EICG)”. Even though the EICG establishment initiation was taken by AACCSA the member of the institution are not only the members of AACCSA rather all voluntary individuals, companies and public enterprises throughout the country. Despite the fact that Ethiopian corporate governance institute have very few member. According to 4th EICG general assembly report the total number of the members is only 148 from these private companies are 100, public enterprises are 29 and individual members are 19. Currently 283 share companies are involved in the country. Though, more than 800 share companies are there and the new entrants to the market are very small. According to trade and industry report from 2008 to 2010 only 11 share companies are entered in to the market.

This research tries to assess that corporate governance that is performed well can improve firm performance. Generally, this study is aimed to examine whether corporate governance instruments and principles influence firm performance. Specifically, the objectives of this study are examining the influence of commitment to corporate governance, structural and functioning of the board, transparency and disclosure and corporate governance principles to firm performance.

1.2 Background of the Organization

Habesha Cement Share Company was established in September 2008 by more than 16000 shareholders with a capital of 3,854,134,643.48 birr. Habesha Cement has acquired 29.8 hectare Plant site area. Habesha started with recoded total investment amount of currently the company has more than 800 permanent and temporary employees including 8 key executives. The manufacturing plant is located in Oromia regional state welmera wereda in Holeta town which is 35 km from Addis Ababa at optimum distance from the raw materials deposits and the main cement market, Addis Ababa, and its surroundings.

It established with a vision of to be the leading integrated cement and other construction inputs supplier and the first choice in East Africa and with a mission of Produce and market high quality cement and related construction inputs by consistently meeting national and international standards and customer expectation at affordable price, Maximize shareholders’ wealth on a sustained basis through high standards of transparency, accountability, responsibility and

leadership, Conduct their business in a safe, environmentally sustainable and economically optimal manner, Develop various, innovative, satisfied and result oriented workforce motivated to deliver excellence through nonstop learning. The final goal of Habesha Cement is Customer satisfaction. The main objective Habesha Cement is to enter and into the firm growing Ethiopian cement market and exploit the market opportunity. Customer Focused delivery of products, Team Work, Safety first, Honesty and Integrity, Committed for quality, Committed for Environmental Protection are some of the Core Values of Habesha Cement. The company started production on June 21, 2017.

Habesha Cement is constantly looking for feedback on ways to improve the processes. The company conducted Customer Satisfaction Surveys regularly to ensure they are completely satisfied with their product and service offerings.

1.3 Statement of the Problem:

Effective corporate governance is critical issue to the proper functioning of business organization and effective performance. But according to the Ministry of Trade and Industry February 24, 2019, assessment report, there has been a problem in relation to corporate governance practice. Share companies are criticized for various problems surrounding. Based on the Ministry of Trade and Industry study commitment to corporate governance, structural and functioning of the board, transparency and disclosure are the major issues from the listed problems. However significant studies are not conducted basically in the non-financial sectors.

Habesha cement S.C had given a promise as entering to the cement market within three years period but, it took around ten years. And the company feasibility study was showed as the sector is highly profitable. However, the fact is quite the revers. As the fact shows in order to enter the market it took around ten years. As the detailed discussion of the researcher's review of the literature suggested, there are quite a number of issues and challenges that can make the overall performance problem and therefore it is very important that such issues are properly managed.

The problems that the research addressed are having often with limited commitment to corporate governance and the company and its shareholders have not demonstrated a commitment to implementing high quality corporate governance policies and practices. Limited structure and functioning of the Board of Directors and it showed the Board of directors is not up to the task of

overseeing the strategy, management and performance of the company. Lack of transparency and disclosure problem shows the company's financial disclosures are not a relevant, faithful, and timely representation of its economic transactions and resources. Habesha's 2017 and 2018 Annual Financial Report showed the company is experiencing loss. Based on the loss result there is no dividend payment to shareholders for the entire period. The poor portfolio performance has had a negative impact on the different stakeholders of the company. This raised the researcher's curiosity and hence the need to establish the role of corporate governance on effective performance at the company (IFC 2016)

1.4 Research Objectives

1.4.1 General Research Objective

The main objective of this research is to assess the role of corporate governance for the performance effectiveness in: Habesha Cement S.C

1.4.2 Specific Research Objective

In light of the general objective stated above, the following are the specific objectives:

1. To assess the effect of commitment to corporate governance on the performance of Habesha Cement S.C.
2. To assess the effect of structure and functioning of the board on the performance of Habesha Cement S.C.
3. To assess the effect of organizational transparency and disclosure on the performance of Habesha Cement S.C.

1.5 Research Question

To come up with relevant answers to the research problem and realize the study objectives, the following hypotheses were tested.

- i.) What is the effect of commitment to corporate governance on the performance of Habesha Cement?
- ii) What is the effect of structure and functioning of the board on the performance of Habesha Cement?

iii) What is the effect of organizational transparency and disclosure on the performance of Habesha Cement?

1.6 Hypotheses of the study

The study was guided by the following hypotheses;

H1: Commitment to corporate governance enhances effective performance.

H2: Structure and functioning of the board has a positive significant effect on the performance.

H3: organizational transparency and disclosure greatly contributes to effective performance.

1.7 Significance of the Study

The finding of this research will contribute some policy input both to government organ and Ethiopian corporate governance institute; it may contribute initial information to other scholars and those sectors that have research constraint. The result of this study will contribute to Habesha Cement future strategic plan by providing evidences on the role of corporate governance and company performance effectiveness relationship.

1.8 Scope of the Study

This study is limited to examining the role of corporate governance on company's performance effectiveness by assessing evidence from Habesha Cement S.C. for the period of two years, from 2017 to 2018. The reason for using this range of period is that the previous year 2017 is the beginning of the company's activity and it might not give the full picture of the board's governance performance. This study intends to show the other perspective on corporate governance issues that are not covered by other researcher and the sectors as well. The dependent variables are limited to effective performance which is measured by return on asset. The independent variables are limited to some corporate governance characteristics like; commitment to corporate governance, structural and functioning of the board, transparency and disclosure. This research used quantitative methodology.

1.9 Limitation of the Study

The research has been conducted on corporate governance which is the new concept basically in Ethiopia so the researcher could not find sufficient empirical data on the area and the institution of corporate governance also new. so it could not provide proper information and the researcher also cannot include the others sector perspective rather than cement producer. In the case of Ethiopia, it is difficult to get sufficient information including Habesha cement because of various reasons.

1.10 Definition of Terms

The 1962 Commercial code of Ethiopia has defined some of the terms that are going to be used in this paper under its; Directors, Auditors and Shareholders' Meetings Section article 347. The terms are as follows:

Board – means board of directors of the share company.

Chief Executive Officer – means a person, by whatever title that person may be referred to, who is primarily responsible for the day to day management of the affairs of a company.

Corporate Governance – means the process and structure used to direct and manage the business and affairs of Habesha Cement towards enhancing business prosperity and corporate accountability with ultimate objectives of realizing long-term shareholders’ value, as well as customers’ and other stakeholders’ interest.

Employee – means a chief executive officer, a senior executive officer or any other person who is appointed or hired by Habesha Cement to carry out its operations.

Commitment to CG - mean the company and its shareholders assurance to demonstrate a commitment to implementing high quality CG policies and practices.

Structure and Functioning of the Board of Directors – means the Board of directors role to the task of overseeing the strategy, management and performance of the company

Transparency and Disclosure - means the minimum degree of the Company's financial disclosures are a relevant, faithful, and timely representation of its economic transactions and resources.

Remuneration - means board compensation and allowance paid to directors.

Risk management program - means a program that clearly identifies and measures inherent and significant risks of an insurer and draws a strategy, policy and procedure to mitigate such risks.

Senior management - means chief executive officer, and any other officials, as may be defined by individual insurer, responsible for day-to-day running of the operation.

Effective performance refers to an analysis of a company's performance as compared to goals and objectives.

1.11 Organization of the Study

This research paper composes of five chapters: the thesis will be organized in to five chapters. The first chapter consists of Background of the study, background of the case organization, Statement of the problem, Research questions, and Research objectives, Significance of the study, Scope of the study, operational terms and organization of the study. Chapter Two – Relevant Literatures were discusses or reviewed under this chapter. Chapter Three – Methods on how to approach the research were coined in this part of the study Chapter Four – The data collected by the questionnaire were analyzed using SPSS application and discussed under this chapter. Chapter five - is the final part of this paper composed of summary, conclusion and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical Literature

2.1.1 Meaning of corporate governance

Different scholars, practitioners and researchers define corporate governance in many ways from general government definition to specific corporate governance. And there is a tremendous amount of literature on corporate governance, and specifically corporate governance in emerging markets. But there is no single, accepted definition of corporate governance. According to International Finance Corporation (IFC 2016), “corporate governance” refers to the structures, rules, and processes through which companies pursue their goals. In other words, “corporate governance is the system by which companies are directed and controlled.” It encompasses a variety of issues, ranging from shareholder rights to a company’s internal decision-making processes and control systems.

Corporate governance is commonly understood as the way and practice to directing, organizing, and controlling the company. Corporate governance is the system designed to professionally direct the firm based on good corporate governance codes. Good corporate governance codes are transparency, accountability, responsibility, independence, and fairness.

Corporate governance is the process of supervision and control intended to ensure that the company’s management acts in accordance with the interests of shareholders (Parkinson, 1994).

Corporate governance is about who controls companies and why. In the United States, the legal “who” is the owners of the organization’s common stock—the shareholders. However, the reality—even the legal reality—is much more complicated, and the “why” is to be found in historic American concerns about the relations between ownership, social responsibility, economic progress, and the role of markets in adopting a stable pluralistic democracy (Kaen, 2003).

Corporate Governance, thus, refers to the manner in which the power of a corporation is implemented in the corporation’s total portfolio of assets and resources with the objective of

maintaining and increasing shareholder value and satisfaction of other stakeholders in the situation of its corporate assignment (Chenuos, Mohamed, and Bitok, 2014).

Good Governance is about both attaining desired results and achieving them in the right way. Since the “right way” is largely formed by the cultural norms and values of the institution, there can be no common template for good governance. Each organization must adapt its own definition of good governance to suit its needs and values. Good corporate governance enhances the confidence of shareholders in the company and positively contributes towards the overall business environment. Well-governed companies often draw huge investment premiums, get access to inexpensive debt, and outperform their objectives. There are, still, some universal norms and values that apply across cultural boundaries.

Good Corporate Governance is a system or method and a set of rules that head the relationship between the various interested parties (stakeholders) in the company, such as shareholders, board of directors and board of commissioner for the achievement of corporate objectives.

Sound corporate governance encourages the effective use of resources and provides for accountability for those resources by managers. Institutions that exercise good corporate governance are very likely to achieve organizational objectives and goals. Good corporate governance should thus be of major concern to shareholders and other stakeholders of the organization. In fact, good corporate governance helps stimulate the general welfare of the society and should be of concern to the general public and governments. Corporate Governance broadly refers to the mechanisms, processes and relations by which corporations are regulated and directed. International finance corporation (IFC) 2016 defines good corporate governance as involving five points: commitment to corporate governance, good board practices, appropriate control environment, disclosure and transparency and shareholder rights.

2.1.2 Emergence and development of corporate governance

The issue of corporate governance is almost two centuries old, even of some scholars do not agree with this. The issue of corporate governance emerged in United Kingdom (UK) in 1855. Until the mid-1850s the entrepreneurial (risk taking) owners of failed firms were largely responsible for the debts of the entities they had formed. If their ship came home they possibly will make money – and if it was lost (sometimes literally) they lost their speculation and fool the

debts owed to the creditors. The possibility of losing substantial amounts of individual assets was a limitation; it was contended, on the size of their organizations. As the British Empire expanded, so too did trading entities, and there was burden for a way of restraining the owners' personal liability.

The UK's Companies Acts of 1855 and 1862 created – and then refined – the totally original concept of a limited liability company formed under law, which meant that, if the company (a legal person) failed, the liability of the owners – shareholders – was limited to the nominal value of their shares. Between 1855 and 1900 less than 100,000 UK limited liability companies were formed. Though, during the 20th Century, and predominantly after 1985, their numbers proliferated and there are now over 2,000,000 registered at Companies House in Cardiff. Many countries throughout the world have adopted (in some cases amended) the original UK legal blueprint (Martin 2006). The company provisions of Ethiopia's Commercial Code drew largely from the UK law.

Start with Enron in the fall of 2001, a wave of corporate scandal gone down on the U.S. economy. In addition to Enron, the scandals involved companies such as WorldCom, Tyco, HealthSouth, Adelphia, and Global Crossing. They also ensnared common funds and leading financial institutions up and down Wall Street, along with key accounting firms, such as the collapsed Arthur Andersen. As if the bona fide scandals that made the headlines were not sufficient to drag the markets miserable, a record number of earnings restatements – increasing progressively from 116 restatements in 1997, to 158 in 1998, 234 in 1999, 258 in 2000, and 305 in 2001 when the scandals arose to break – fueled doubt about companies' governance, finances, and business plans. These worries became particularly sharp as the overall market fell through 2008 (F. Scott Kieff and Troy A. Paredes 2010).

2.1.3 History of corporate governance in Ethiopian

In the formal and proper way has formed in the paired of Menelik II regime. However, the then small and few firms were in the hand of foreigners, whose residence was in the Empire. The first Private Share Company in Ethiopia was, although, established in the name of agricultural and commercial development company of Ethiopia in 1909. The Company was established by Imperial Proclamation and the creators who signed the memorandum of association were the Emperor, the empress and other five officials of the emperor. The first Ethiopian Company law

was introduced in 1933 and the 1909 articles of association had delivered significant contribution for the development this company law (Pankhurst 1963).

Since 1960, with all its problems, Ethiopian business companies are regulated by the 1960 Ethiopia Commercial Code. Even though, financial sectors are regulated by Commercial Code and National Bank Directives, the remaining profit making companies that are not part of financial sector are only regulated by the 1960 Commercial Code. In fact, the Commercial Code of Ethiopia has basic rules on the governance of such companies. However, these rules are not sufficient to safeguard minority as well as majority shareholders from undue exploitation.

Making strong, valuable and trustworthy share company is one of the systems of creating companies that have strong financial capacity, skilled human capital and new technology and with globally competitive capacity. If someone who is involved in a business and want to raise substantial amount of capital, a business person should have to sell share. However, a mechanism of collecting large amount capital is issuing share, the fact is establishing a share company in Ethiopia is the most challenging activity. Business organizations are often established for unlimited period of time, though; they were not more refined and structured as they exist today. Trade and Industry Ministry report shows that many companies have gone at the emerging stages because of various reasons. One of the reason mentioned by the Ministry report is companies do not prepare prospectus. Even if some companies have prepared prospectus but it violates the country's Commercial Code.

Corporate governance has recently received much attention because of various world problems and corporate scandals. Accordingly, there are some efforts of reforming corporate governance in Ethiopia. For instance, the Federal Democratic Republic of Ethiopia (FDRE) Office of the Attorney General is revising the Commercial Code. A "Voluntary Code of Corporate Governance for Ethiopia" was also adopted by Addis Ababa Chamber of Commerce and Sectorial Associations (AACCSA) on October 2013 with the name of "Ethiopian institute of corporate governance (EICG)". Even though the EICG establishment initiation was taken by AACCSA the member of the institution are not only the members of AACCSA rather all voluntary individuals, companies and public enterprises throughout the country. Despite the fact that Ethiopian corporate governance institute have very few member. According to 4th EICG general assembly report the total number of the members is 148 from these private companies

are 100, public enterprises are 29 and individual members are 19. Currently 283 share companies are involved in the country and the growth rate is very small. According to trade and industry report from 2008 to 2010 only 11 share companies are entered in to the market.

2.1.4 Role and key features of corporate governance

Adopting better corporate governance mechanisms such as an enhanced board and audit committee improves watching of management and reduces information asymmetry problems (Aldamen et al., 2011). There is a substantial literature that links size, gender diversity, and other characteristics of the board of directors and audit committees to improved firm performance (Klein, 1998; Aldamen et al, 2011). Various institutions are provided significant and sound contribution for the development of corporate governance code throughout the time. International institutions like Cadbury, Greenbury, Hampel, International finance corporations (IFC), Organization for Economic Cooperation and Development (OECD) and International Corporate Governance Network (ICGN) have developed corporate governance principles since from 1991, which stressed-out on the role of boards. The purpose is to make boards of companies more accountable and the company activities more transparent.

Corporate governance mechanisms have been acknowledged as an essential tools needed in managing any corporation. There are various ways that decrease agency problem whereby corporate governance can be measured in an organization. In the corporate governance literature Board Composition (board size, board gender diversity and educational qualification and industry experience and audit committee size and others) were used as corporate governance mechanisms.

A firm board composition can play a pivotal role on improving firm's performance. Board of directors is an important corporate governance mechanism (Aljifriand Moustafa, 2007). The significant role of boards is to act as an internal governance mechanisms and monitoring of management (Shleifer and Vishny, 1997). An operative board is likely to help the firm accomplish better performance by effectively undertaking their watching duties (Bathula, 2008). A board of directors is a group of people elected by a corporation's shareholders to represent the shareholders' interests and ensure that the company's management acts on their behalf. When the board is effective it is predictable to drive the company headed for better financial achievement (Andres and Vallelado, 2008). The effectiveness of the board is influenced by factors such as

board composition and quality, size of board, board diversity, board committee effectiveness such as audit committee and information asymmetries ultimately this affects the board oversight performance (Uadiale, 2010). Boards of director are the heart of corporate governance. However, the success of the board of directors as shareholders' monitoring mechanism can only be efficient if bounded with appropriate size, composition and sub-committee (Lawal, 2012).

From the agency theory point of view boards have played crucial role in alleviating agency problems that arise from the separation of ownership and control of firms (O'Connell and Cramer, 2010). When financial markets are not well advanced as an efficient external control mechanism and when the shareholders are not well sheltered due to weak legal system and poor law enforcement, the character of the board of director becomes highly important as an internal control mechanism (González and Garay, 2003).

The existence of an audit committee progresses the monitoring of corporate financial reporting and internal control and it helps to stimulate good corporate governance in turn this improves firms' financial performance by reducing agency cost (Al –Sa'eed and AlMahamid, 2011). An audit committee has a particular role of ensuring that the interests of shareholders are appropriately protected in relative to financial reporting and internal control and size is vital characteristics of audit committees (Habbash, 2010).

IFC guiding principles are; Promise to corporate governance include; Board takes responsibility for corporate governance, Corporate governance is regularly reviewed and improvements are planned accordingly, Proper resources are committed to corporate governance, Policies and procedures are formal and distributed to important staff, Corporate governance code and/or guidelines are developed and Company is publicly acknowledged as a corporate governance leader.

Good board practices means; Board role and authority are plainly defined, Duties and responsibilities of directors are implicit, Board is well structured, Board has an appropriate composition and mix of skills, suitable board procedures are in place, Director Remunerations are in line with best practices and Board self-evaluation and training are conducted.

Appropriate control environment means; companies should have the following quality; Risk management framework/structure is present, Independent audit committee established, internal

control procedures are in place, internal audit function is in place, Independent external auditor conducts regular audits and Management information systems are established. Disclosure and transparency is companies with; financial information is disclosed, Non-financial information is disclosed, Financials are prepared according to International Financial, High-quality annual report is published and Web-based disclosure and investor site is in place. And what does it mean Shareholder Rights? It means that; Minority shareholder rights are formalized and protected, General Assembly meetings are conducted and are well structured, Related party transactions policies are in place, Unexpected transactions polices are in place, Dividend policies are precise and clearly defined.

Benefits of corporate governance according to IFC can be divided into four parts; (1) Checks & Balances Framework, which means that ensures that; the company's management operates within a framework of checks and balances that make them accountable to their owners. (2) Address Concerns; Addresses the concerns of all types of stakeholders. (3) Clarity & Transparency; Promotes clarity and transparency, which is important to investors and other capital providers. (4) Facilitate Access to Capital; Facilitates your company's access to capital, since good corporate governance is important to both equity and debt investors.

Organization for Economic Co-operation and Development (OECD) promote policies designed: to achieve the maximum sustainable economic growth and employment and a mounting standard of living in member countries, while sustaining financial stability, and thus to contribute to the enlargement of the world economy; to contribute to comprehensive economic expansion in member as well as non-member countries in the process of economic development; and to give to the expansion of world trade on a multilateral, fair basis in accordance with international obligations.

Corporate governance is pertinent to companies of any size and in any market. In fact, good corporate governance has a number of extensive benefits. Good governance leads to a number of progressive consequences, including: Trust, Clear vision, mission, and direction, relevant values, linking to the stakeholders and Sustainable financial stability (Parkinson, 1994).

“According to the OECD Principles of Corporate Governance, the board should fulfill certain key functions, such as:

- Reviewing and guiding corporate strategy, risk policy, annual budget and business plans, setting performance objectives, monitoring corporate performance and overseeing major capital expenditures and acquisitions;
- Selecting, compensating and monitoring key executives;
- Reviewing key executive and board remuneration;
- Monitoring and managing potential conflicts of interest of management, board members and shareholders;
- Ensuring the integrity of ... accounting and financial reporting systems; monitoring the effectiveness of the governance practices; and
- Overseeing the process of disclosure and communications.”

2.1.4.1 Conventional measures

The key predominant quantitative measures used to estimate the effectiveness of corporate governance structure in a corporate setting mainly includes ownership attentiveness, gender diversity, board size, board composition, and dual role of CEO and Chairperson of board of directors. And other characteristics of the board of directors and audit committees to improved firm performance (Klein, 1998; Aldamen et al, 2011).

2.1.4.1.1. Commitment to Corporate Governance and Structural and Functioning of the board

2.1.4.1.1.1. Board size

There are two opposing ideas on the relationship between board size and firm performance.

First, thought that the lesser the board size can prominently contribute to the company’s success. (Yermack) found an inverse relationship between board size with company's value and favorable financial ratios such as productivity, asset utilization, and Tobin's Q, Yermack (1996). Empirical evidence of S. Cheng showed that companies that have more board members, the inconsistency of the firm performance would be lower (Cheng 2008).

The second thought reasoned that a large board size will increase the firm performance. Board size is a determinant of the ability of directors to monitor and control manager. Adam and Mehran argued that the company should have a large board size to be able to monitor effectually Adam and Mehran (2002). Large board size will backing a more effective management of the company Klein (1998). Large board size will be easier to obtain information Dalton, et al. (1999).

According to Kiel and Nicholson (2003) board size is fundamental to achieving the board effectiveness and enhanced firm performance. According to Lawal (2012), board size marks the quality of deliberation among members and capability of board to arrive at an optimal corporate decision. Because of this, receiving the right board size is essential to corporate governance effectiveness beyond optimum level. The literature about the effect of board size on firm performance however delivers mix findings. Too small or too large board sizes have undesirable impact on firm performance. This evidence support the argument that communication and decision making problem deteriorate the effectiveness of larger board size. Moreover findings suggest that negative relation in board size and firm performance is solidest in large firms. Larger boards can be less participative, less cohesive, and less able to reach consensus.

Organization, communication and decision-making problems increasingly obstruct company performance when the number of boards increases (Yermack, 1996 as cited by Uadiale, 2010). in general there is no universally acceptable or defined board size and it be contingent on organization, culture country context which means that in some situation large size of board of directors are important in other situations the reverse is workable.

2.1.4.1.1.2 Board composition

The composition of board of directors refers to the number and type of directors that partake in the work of the board. Or Board composition is a term used to elaborate the ratio of executive or inside and non-executive or outside directors on the board. The past studies on the effect of board composition on firm performance propose that presence of non-executive directors on the board ensures an effective oversight over the activities of the firm management which in turn leads to greater firm performance. Heenetigala & Armstrong (2007); Choi et al. (2007); Yasser et al. (2011) found that occurrence of outside board member have a positive relationship with firm performance (Journal of Asian Business Strategy, 5(6)2015: 109-115).

The composition of board of directors plays an important role in defining the firm financial performance. Board of directors is accredited to monitor managerial activities, evaluate the performance of managers, and give rewards to the manager. According to E.F. Fama and M.C. Jensen, board of directors is an internal control mechanism that is essential for monitoring top management Fama and Jensen (1983).

2.1.4.1.1.2 Board Gender Diversity

Gender diversity is one of the constructive contributing factors of company's effective performance. Boards are concerned with having precise composition to provide diverse perspectives. Greater female representation on boards arrange for some additional skills and perspectives that may not be imaginable with all-male boards (Boyle and Jane, 2011). Board diversity is support to give better decision when the knowledge or experience have need of from gender sides. It is supported by different theoretical views: Agency theory is mainly concerned about monitoring role of directors. Representation from various groups will provide a well-adjusted board so that no individual or group of individuals can dictate the decision-making of the board (Erhardt et al., 2003). According to stakeholders' theory, diversity also provides representation for diverse stakeholders of the firm for equity and fairness (Keasey et al., 1997). From resource dependency aspects, the board is a strategic resource, which provides a relation to various external resources (Walt and Ingley, 2003). This is facilitated by board diversity. On the other hand, Rose (2007) revealed minor association between number of women directors on the board and firm performance. Though, many scholars now rely on that an increase in board diversity leads to better boards and governance on the ground that diversity permits boards to tap on broader talent pools for the role of directors (Bathula, 2008).

2.1.4.1.1.4 CEO/ Chair duality

If the firm CEO is also the chairman of the board this exemplifies the CEO chair duality. The proponents of the agency theory say that CEO Chair duality will deteriorate the control mechanism and adversely influence the role of board members assessing the activities of firm managers, Journal of Asian Business Strategy (2015). The studies of Ujunwa (2012), Heenetigala & Armstrong (2007), Yasser et al. (2011) found that CEO chair duality have a negative impact upon the firm performance. As the agency theory acquaint with the important of board it's the reason to bridge the gap of the interest of the shareholders (owners) and the management. Despite the fact that the Commercial Code of Ethiopia seat that "Only members of a company may manage the company", While the Draft Commercial Code provides that "A Company shall be managed by a board of directors and not more than one third of the directors Hussein (2012).

2.1.4.1.1.5 Board independence

Previous studies of the relationship between the independence of directors and firm performance, showed varying results. The higher the proportion of outsider the more independent board of directors John and Senbet (1998). To avoid conflicts of interest, individuals should not be voted to the company's Board of Directors when they are: A director of a competing company, a manager of a competing company, an employee of a competing company. Nominees for the Board of Directors should also not be related to suppliers, affiliated persons, as well as employees of the independent External Auditor.

Rosenstein and Wyatt (1990) found a market reward to the company that has the outsider. Brickley, et al. (1994) found a positive connection between the percentage of outsider by the reaction of stock market and Anderson et al. (2004) found the reverse correlation between independence of directors and cost of debt. A large number of boards and a large proportion of outsider can provide countless information. Several studies have found that board size and the proportion of outsider positively related to firm size and complexity Lehn (2003).

Brown et al. (2004) found no relationship between the independence of directors and Tobin's Q, but found a positive relationship between the independence of directors and ROE, profit margin, dividend yield, and stock repurchases. They found that the company would be worth if the position between the CEO and the boards are parted. Rosenstein and Wyatt (1990) found evidence that shareholder value is influenced by the proportion of outside directors as specified by the positive stock price reaction during the announcement of the appointment of outside directors.

2.1.4.1.1.6 Qualification of directors

In examining board membership, one should think through the following factors: The skills and characteristics of the directors: The directors' thoughtful and commitment to the dual mission of financial security and social performance of the microfinance institution the directors' ability and readiness to fulfill their Duties of Care and Loyalty, The development of the board. Directors should have the necessary skills and experience to add to the work of the Board of Directors. The board also should have the following personal characteristics to accomplish good corporate governance, such as good leadership quality, Accountability, Integrity, Maturity and good Work Ethics. And also proven Industry Experience, Business Judgment quality and special skills, such

as for; Finance and Accounting, Risk Management and Internal Control, or Strategic Management.

Board of directors is vested with the responsibility of ensuring that the shareholders' money is not misused, shareholders have a thoughtful interest in ensuring that the board is manned with well-educated and experienced directors (Gantenbein and Volonte, 2011). Educational qualification affects the oversight and monitoring role of boards of directors (Gantenbein and Volonte, 2011).

2.1.4.1.1.7 Industry Specific Experience

Assigning directors with correlated and appropriate knowledge and capacity to execute task specific duties like, the firm's internal control and procedures will enhance the quality of information gather round and the solution to problems and of the views held and judgments made in the course of the decision-making process (DeZoort, 1998 as cited by Saat, et al, 2011). Directors' specialist knowledge will be valuable to the creation of a strong and well-versed board (Saat et al., 2011). They demand that experience of directors allows them to direct, monitor and regulate the firm more effectively. In other words, their knowledge of the industry, its opportunities and threats and their connections to the industry participants based on their experience allows them to contribute substantively in the company's performance.

2.1.4.1.1.8 Audit quality

Audit committee as a committee plays a central role in ensuring and monitoring the accounting process as a result that management can provide information that is relevant and credible to all stakeholders M. Beasley (1996). The existence of audit committee independence is able to provide trustworthy accounting information, so audit committee independence is expected to improve the company's performance. Brown and Caylor (2004) bring into being that independent audit committee positively related to dividend yield.

The 1999 Blue Ribbon Committee Report recommends that audit committee, as overseer of financial accounting processes; conduct meetings at least four times a year in order to warranty the quality of financial reporting Blue Ribbon (1999). If audit committee size and audit committee meeting frequency can improve financial accounting process, it is expected that audit committee size and meetings frequency can improve firm performance. Kyereboah-Coleman

(2007) describe that size of the audit committee could be an indication of the significance attached to issues of transparency by the organization. Aldamen et al. (2011) reveals that smaller audit committees with more know-how and better educational qualifications are more likely to be associated with positive firm performance.

2.1.4.1.1.9. Meeting Frequency of Board

It means that how much time is the board has come across in a year. For the board of directors successfully perform its oversight function and monitor management performance, the board must fix a regular meeting. Measuring the strength and effectiveness of corporate monitoring and discharging is the frequency of board meetings (Jensen, 1993).

2.1.4.1.2 Transparency and Disclosure

Transparency is important to corporate governance, greater transparency reduces the information irregularity between a company's management and financial stakeholder's (equity and bondholders), alleviating the agency problem in corporate governance (Barbu, 2005). In Uganda, absence of transparency is attributed to the closings of commercial banks. The idea of bank transparency is broad in scope; it refers to the quality and extent of public information on a bank's risk profile and to the programing of its disclosure, including the bank's past and present decisions and actions as well as its plans for the future. The transparency of the banking sector as a in one piece also includes public information on bank regulations and on safety net procedures of the central bank (Brown and Caylor, 2004).

The corporate governance framework should guarantee that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial, performance, situation, ownership, and governance of the company. It has also been argued that the lack of transparency arising from insufficient disclosure allowed significant problems to build up in the financial and corporate sectors. For instance, when the financial situation is weakened in East Asian countries, the inability of investors and creditors to control comprehensive financial institutions and corporations due to the absence of transparency give rise to in investors being reluctant to hold shares while creditors became unwilling to overturn maturing short-term debts for distress of a future loss. It was believed that this has added significantly to the wearing down of investor confidence and in part exacerbated the disaster.

According to the Ethiopian Commercial Code the directors responsible for the preparation of financial statements, including consolidated financial statements for group of companies and for confirming that an audit of the financial statements is on a regular basis conducted. Likewise, Art 362 of the Code have need of board of directors to hold onto accounts and books; submit the accounts of the auditors and an annual report of the company's processes including a financial statement to the meetings. Furthermore, the Code deals with sense of duty and responsibilities of auditors under Arts. 368 - 387. Specifically, it provides for the appointment of auditors, duties of auditors, powers of auditors and liability of auditors.

2.1.4.1.3 Effective Performance

The final goal of a business organization is greater financial performance or maximization of wealth for stakeholders (Joseph and Dai, 2009). However, attaining the organization's goals depends upon the extent to which its Effective performance is gotten (Katou and Budhwar, 2007). Effective performance is in general indicated by effectiveness, efficiency, satisfaction of customers and employees, innovation, quality of services or products, and ability to sustain a unique human pool. The effective performance variables of the present-day study comprised features such as product quality, customer satisfaction, new product development, ability to attract employees, ability to retain employees, and relationship between employees and management. According to Kaplan and Norton (1993), effective performance means the change of inputs into outputs for attaining certain outcomes. With regard to its content, performance informs about the relation between minimal and effective cost (economy), between operative cost and realized output (efficiency) and between output and achieved outcome (effectiveness). Sales performance can be explained as all the accomplishments or investment carried out in the firm in the specified period of time. It can be measured by total amount of revenue collected for the goods sold.

Growing revenue is defined as total amount of money collected by the firms for the goods they sold in a definite time and this amount is calculated before any expenses are deducted.

Effectiveness of the business depends on the three basics performance determinants which include efficiency and procedure reliability; human resource and relations; and innovation and altered copy to environment (Joseph and Dai, 2009).

Efficiency is defined as a term experienced by organization or firm to use people and resources to carry out significant operations in a way which minimizes the costs. When the resources are used in a proper way as compared to the competitors, the cost of operation will decrease and the profit margin will increase. Efficiency is important when the competitive strategy of the firm offers services and products at lower rates than the competitors. Human resource relation is defined as trust, organizational commitment, collective identification and cooperation among the employees (Joseph and Dai, 2009). Most organizations view their performance in terms of effectiveness in attaining their mission, purpose or goals. Most public organizations, for example, would tend to link the larger notion of effective performance to the results of their particular programs to improve the lives of a target group (Katou and Budwar, 2007). At the same time, a majority of organizations also see their performance in terms of their efficiency in set up resources. This relates to the optimum use of resources to obtain the results desired.

Finally, in order for an organization to remain viable over time, it must be both economically viable and relevant to its stakeholders and their changing needs. In the Effective performance framework, these four aspects of performance are the key dimensions to organizational performance. Organizations exist within certain external contexts or environments that facilitate or impede their performance. Key factors in the policy or controlling environment, and in the economic, political, socio-cultural, environmental and technological contexts, affect how the company does its work. (Kaplan and Norton, 1993). Internally, performance is determined by the organization's motivation to perform, which refers to the organizational culture, history, mission, values and motivation systems. These factors affect the quality of work, the nature of how the organization contends, and the degree of involvement of internal stakeholders in decision making processes. Performance is driven, in part, by organizational capacity, which we now realize as existing in seven basic areas: strategic leadership, human resources, financial resources, infrastructure, programming and process management, and inter-institutional linkages (Usha, 2009).

Each of these seven measurements areas may be described in sub-components as, for example, in the organization's strategic leadership capacity which is understood as its structure, governance, leadership, strategic plans and niche management. Human resources, financial resources and infrastructure are seen as resources as well as the management of these resources (Katou and

Budwar, 2007). Organizations also have capacities that result from the relations, trusts and alliances they have established with other organizations referred to as inter-institutional connections.

Kaplan and Norton (1992) clarify balanced scorecard methodology as a comprehensive approach that analyzes an organization's general performance in four techniques, based on the idea that measuring performance through financial returns only provides information about how well the organization did prior to the valuation, so that future performance can be anticipated and proper actions taken to create the favorite future.

The methodology examines performance in four areas: cost analysis in terms of procurement is the most traditionally used performance indicator, which includes assessments of measures such as operational costs and return on investment; customer analysis looks at customer satisfaction and holding; internal analysis looks at production and innovation, measuring performance in terms of maximizing profit from current products and following indicators for future productivity; and in conclusion, learning and growth analysis discovers the success of management in terms of measures of employee satisfaction and retention and information system performance (Joseph and Dai, 2009). As a structure, balanced scorecard methodology breaks broad goals down in succession into vision, strategies, tactical activities, and metrics.

2.1.4.11 Theoretical Framework of the Study

Corporate governance is the relationship between shareholders, board of directors and the top management in determining the way and performance of the corporation. It includes the relationship among the numerous players involved (the stakeholders) and the goals for which the company is governed (Kim and Rasiah, 2010). The challenge of corporate governance could help to line up the interests of shareholders, organizations, and society through a major ethical basis and it fulfills the long term strategic goal of the owners. It may not be the same for all firms. So maintaining proper compliance with all the applicable legal and regulatory requests under which the company is carrying out its actions is also achieved by good practice of corporate governance mechanisms. There are five major theoretical frameworks that can be identified from the corporate governance literature: agency, stewardship, resource dependence, stakeholder and managerial-hegemony.

These theories have evolved from many disciplines such as finance, economics, law, management and organizational behavior.

2.1.4.1.11.1 Agency Theory

Jensen & Meckling (1976) define the agency connection as “a contract under which one or more persons (the principals) engage another person (the agent) or the managers of the firm as the ‘agents’ and the shareholder as the ‘principal’ (in their analysis there is one shareholder versus the ‘managers’). To perform some service on their behalf this involves assigning some decision-making authority to the agent.” The problem that arises as a result of this system of corporate ownership is that the agents do not necessarily make decisions in the best interests of the principal. One of the principal assumptions of agency theory is that the goals of the principal and agent conflict.

It is likely that company managers desire to pursue their own personal objectives, such as targeting to gain the highest bonuses possible. Managers are likely to display a tendency towards ‘egoism’ (i.e., behavior that leads them to maximize their own perceived self-interest: Boatright, 1999).

This can result in a leaning to focus on project and company investments that offer great short-run profits (where managers’ pay is related to this variable), rather than the maximization of long-term shareholder capital through investment, in projects that are long term in nature. In this corporate governance environment, managers are desirous to supplement their salaries with as many perquisites (such as holidays through the company, office equipment and the like) as possible-again prominent to a reduction in shareholder value.

The reduction in the shareholder’s welfare is known as the ‘residual losses in agency theory expressions. An important question is therefore, ‘how can shareholders exercise control over firm management?’

Agency costs arise from tries by the shareholder to ‘monitor’ company management.

Monitoring by the shareholder is expensive, as it involves commencing activities such as shareholder engagement (expensive on resources and time-consuming). Incentive schemes and contracts are examples of monitoring systems. Although agency costs arise from establishing these contracts, costs are also incurred from the agents’ side. Managers are keen to show to the

shareholder that they are accountable and that they are following the shareholder wealth maximization objective. They may deliver extra information about risk management on their annual reports, for example, which will add costs to the accounting process. They may spend additional resources in arranging meetings with primary shareholders. The costs associated with such resourcefulness are referred to as ex-ante bonding costs. The total agency cost rising from the agency problem has been summarized as comprising of: the agent's bonding expenditures; the sum of the principal's monitoring expenditures; and any remaining residual loss (Hill and Jones, 1992). One of the main reasons that the anticipated actions of principal and agent diverge is their different attitude toward risk.

2.1.4.11.2 Stakeholders Theory

Stakeholder theory has developed gradually since the 1970s. One of the first explanations of stakeholder theory, couched in the management discipline, was presented by Freeman (1984), who proposed a general theory of the firm, incorporating corporate accountability to a broad range of stakeholders. A foundation for stakeholder theory is that companies are so large, and their effect on society so pervasive that they should discharge accountability to many more sectors of society than exclusively their shareholders. There are many ways of describing stakeholder theory and 'stakeholders', conditional on the user's disciplinary perspective. One commonality characterizing all definitions of stakeholders is to recognize their involvement in an 'exchange' relationship (Pearce, 1982; Freeman, 1984; Hill and Jones, 1992). Not only are stakeholders affected by companies but they in turn affect companies in some way. They hold a 'stake' rather than just a 'share' in companies. Stakeholders include shareholders, employees, creditors, suppliers, customers, communities in the vicinity of the company's operations and the general public.

The most extreme supporters of stakeholder theory suggest that animal species, the environment and future generations should be included as stakeholders. The stakeholder connection has been described as one of exchange, where the stakeholder groups supply companies with 'contributions' and expect their own interests to be satisfied via 'inducements' (March and Simon, 1958).

Using this analytical framework, the general public may be noticed as corporate stakeholders for the reason that they are taxpayers, thus providing companies with a national infrastructure in

which to operate. In exchange they expect companies as ‘corporate citizens’ to improve, not degrade, their quality of life (Hill and Jones, 1992). Indeed, every stakeholder denotes part of the nexus of implicit and explicit contracts that constitutes a company. However, many writers refer to ‘stakeholders’ simply as those who have a legitimate stake in the firm, in the broadest sense (Farrar and Hannigan, 1998).

2.1.4.11.3 Stewardship Theory

According to the stewardship theory, a manager’s objective is mainly to exploit the firm’s performance because a manager’s need of accomplishment and success are satisfied when the firm is performing well. One key unique feature of the theory of stewardship is that it replaces the lack of trust to which agency theory speak of with respect for authority and inclination to ethical behavior (Coleman, 2007).

2.1.4.11.4 Resource Dependency Theory

Resource dependency theorists trace their roots back to the school of sociology (Clarke, 1998). When working with “corporate governance”, these theorists tend to focus on the connecting role of the governing board to other organization’s (Hung, 1998). The most important premise of resource dependency theorists as stated by Hung (1998, p. 104) is that Corporations depend upon one another for access to valued resources and therefore seek to form links in an attempt to regulate their interdependence. An interconnecting directorship is one form of links in that complex chain of connections among organizations. The “model of man” as posited by resource dependency theorists is part of a interacting directorship chain (Hung, 1998 and Palmer, 1983).

Business organizations use their boards of directors as a means of reading or absorbing significant interdependent outside organizations. This networking or interlocking director's post chain, therefore, “involves exchanging some degree of control and privacy of information for some obligation for continued support from the external organization” Resource dependency theorists’ focus on “corporate governance” is based on the possibility that “board size and composition are not accidental or independent factors, but are rather, sensible organizational responses to the condition of the external environment” (Pfeffer, 1972).

Studies have shown that using “the well-established paradigm of inter-organizational relations, surveys have portrayed interconnecting directorship ties as a corporate strategy for improving (and reducing uncertainty) their sales, purchases, credit and public reputations” (Useem, 1980).

2.2 Empirical Study

As it is recent occurrences various empirical researches are conducted around the world. This section of literature review focused on previous studies. Diverse researchers have studied the role of corporate governance on organization effective performance from different point of view in different environments using a number of variables of interest and diverse results were concluded by previous studies in relation to the relationship between corporate governance and firms' effective performance.

2.2.1 Empirical Evidence in the World

The study undertaken by (Todorovic,2013) the effect of corporate governance on performance of corporations in Austria. According to the study 19 firms Level of performance was evaluated which are listed on the Official market of the Banja Luka Stock Exchange by using scorecard analysis tools. The academic used net profit margin and earnings per share for the comparison of company's performance and to determine the impact of corporate governance. The main finding of this paper is that companies with higher level of enactment of corporate governance principles have higher net profit margin and earnings per share. While companies that have lower level of implementation of corporate governance principles have lower or negative net profit margin and lower earnings per share.

Kassim, et al (2013) conducted the research, board effectiveness and company performance: assessing the mediating role of capital structure decisions in Malaysia. The study used two types of data; a questionnaire survey and annual report of 175 public listed companies. In this stud the researcher used four independent variables; Performance of independent directors, Board's risk oversight, CEO performance evaluation, Directors' accessibility to information.

The research has considered the significant direct relationship between the board process and capital structure, the board process and company performance, and the capital structure decision is treated as the intervening variable between board process and company performance. There is also three controlling variables; age, size and sector. According to the study Data on company characteristics and performance are extracted from the annual report of 2007 to 2009. In Malaysia, the response rate for survey studies ranges from 10% to 20% so the researchers used the whole population of Singapore public listed companies as the sample. Data analysis and

interpretation technics is implemented by descriptive statistics technics and regression analysis. The measurement tools for company performance were return on equity and in measuring the board's ability on risk oversight; five-point Likert scale was used. The research finding indicates that company capital structure does not have effect on the relationship between CEO's performance evaluation and company performance. In addition, the study fails to find the influence of capital structure decisions on the association between accessibility of information and company performance.

Elad (2018) student of Karlstad University, studied, *The Role of Board Characteristics in Effective Corporate Governance: in The Case of Airbus Group in USA*. The study was evaluates the impact of board characteristics of; board composition and independence, board size, board diversity, board meetings and committee structure on effective corporate governance carry out in Airbus group. The study used inductive research come up to and qualitative research approach data by using secondary data from 2015 board of director's corporate governance report. The research findings show that even though, 2015 board report in different with some scholars and Cadbury, 1992 ideals of board size the board that based on articles of association, Airbus can at most have 12 members as Board of Directors with a term bounds of three years. But the fact shows that the size of board is liable on the size and the structure of the company. So In the case of Airbus, it is a international company which for sure is a complex company. Though the board size of Airbus exceeds the good word by some scholars, due to its complexity, it may be acceptable for Airbus to have a slightly greater board size. The result also shows Board Diversity with the minimum standard of Air bus 2016, Airbus have need of every board member to meet the required qualification, skills, knowledge, and experience to release their roles and responsibilities as board members. According to gender diversity, Airbus (2016) is in the process of carry out the guideline on the gender composition of the board of directors which needs at least 30% men and 30% women on the board. The Company recognized the need for further improvement for gender diversity and agreed on make known to one more female member in the board to increase the percentage of women on the board to 25% (i.e. 3 members). Although Airbus still has not met the standard of the minimum board composition rate of at least 30% of women on the board, the situation may change as more female directors fill in director positions. In the case Board Meetings During the financial year 2015, there were 9 board of directors meetings with the average attendance rate of 91% and 7 meetings with 88% average attending

rate in 2014 (Airbus, 2016). Business reports from the CEO are used to notify the board regularly about business expansions such as; operation and strategic plans. Regarding the committee meeting within the board, the audit committee is required to have at least 4 meetings per year and the nomination, remuneration and governance committee are expected to have at least 2 meetings a year (Airbus, 2016). In 2015, the nomination and governance committee, audit committee and remuneration, had 6 meetings with 96% average attendance rate and 5 meetings with 80% average attendance rate respectively (Airbus, 2016). The board meeting frequency and average attendance rate increased in 2015 compared to 2014. In committee structure Airbus (2016) principally has two board committee groups; the nomination and governance committee, audit committee and the remuneration. The remuneration, nomination and governance committee is responsible for consulting with the CEO and making recommendations about appointment issues and contractual matters. On the other hand, the audit committee is responsible for the annual financial statements, interim accounts and internal and external audit issues.

Finally, the board has been vigorously playing a part in strategic decision making as well as watching the actions of management. All these measures indicate the in effect significance board characteristics play effective corporate governance especially when applied adequately. Board characteristics improve the effectiveness and proficiency of the board which consequently result in a high firm performance.

DUC VO and THUY PHAN (2013) studied in corporate governance and firm performance: empirical evidence from Vietnam. In this study, corporate governance is considered to consist nine independent variables are considered : (i) the size of the board; (ii) the presence of female board members; (iii) the ownership of the board; (iv) the education level of board members; (v) the working experience of the board; (vi) the presence of independent (outside) directors; (vii) the compensation of the board; (viii) the duality of the CEO; and (ix) block holders. The author used the flexible generalized least squares (FGLS) technique on 77 listed firms trading over the period from 2006 to 2011. The findings of this study indicate that elements of corporate governance such as the presence of female board members, the duality of the CEO, the working experience of board members, and the compensation of board members have positive effects on the performance of firms, as measured by the return on asset (ROA). However, board size has a

negative outcome on the performance of firms. This study also presents that ownership of board members has a nonlinear relationship with a firm's performance.

Hifza I. and Aqeel M. (2014), provide the evidence on the impact of corporate governance on

Pakistan banking area. Performance of banking area is measured through liquidity, profitability, growth, privatization, operational efficiency, asset quality, investor's protection, disclosure; cost of equity; capital adequacy indicator and expense management and none of the corporate governance mechanism was showed on the study. This study has been conducted over commercial banks of Pakistan. The empirical outcomes show that there is strong association of corporate governance and determinants of banking sector performance. Results of this study show that banks with good corporate governance show better performance as compared to banks having less corporate governance.

2.2.2 Empirical Evidence in Africa

Tshipa and Mokoteli (2015) studied The South African Code of Corporate Governance: The relationship between compliance and financial performance: Evidence from South African publicly listed firms. By applying a panel study methodology and Descriptive statistics and correlation of variables by taking for a sample size of 137 Johannesburg stock market involved companies from the year 2002 to 2011. Return on Asset (ROA) and Tobin's Q as a tools for performance measurement. The following independent variables are applied: Board gender diversity, Proportion of independent non-executive directors, Board size, Director share-ownership, Presence of internal key board committee, Frequency of board meetings and CEO duality or role as governance measures and ROA and Tobin's Q as dependent variables. Researcher used OLS multivariate regressions for hypothesis testing. According to the research result the compliance level of corporate governance is improved after South Africa corporate governance or King Report model was implemented. The compliance level is different according to the size of the organization; if the organization size is large the compliance level is high if it is small the compliance is small. The significant finding of this study was that compliant firms enjoy a higher firm performance as measured by ROA and Tobin's Q. This implies that compliance to corporate governance code of practice matters, not just as box ticking exercise but as a real step change in the governance of South African listed firms.

Mudashiru et al. (2014) empirically studied with the title of Good Corporate Governance and Organizational Performance: An Empirical Analysis in Nigeria. The study used quantitative methodological framework through which the primary data collected were analyzed using both Regression analysis and Karl Pearson's correlation techniques in order to find the relationship between corporate governance and Effective performance on one hand and the degree of relationship between corporate governance and organizational performance. The findings shows that large board size, longer serving CEOs , management skill, board skill, size of audit committee, audit committee independence, foreign ownership, institutional ownership, dividend policy and annual general meeting are positively associated with the performance of organizations.

2.2.3 Empirical Studies in Ethiopia

In Asnakech, (2013) studied title about the Revisiting the Ethiopian Bank Corporate Governance System: A Glimpse of the Operation of Private Banks. She observed the political involvement, less technology adaptation which is not supported the current situation and less attention for shareholders protection. The researcher raise a questions the impact of the two major aspects of corporate governance, namely, ownership structure and board structure on bank performance. She mentioned the problems that Ethiopian banks are faced such as; Absence of Share Market, Mix of Politics and Business, Inadequate Shareholder Protection Laws, Ineffective Court System and the researcher assed the national bank regulation criteria and corporate governance Mechanisms and Bank Performance according to Ownership structure, Board Structure based on these criteria the researcher is concluded by the intervention of government, and the banking system is characterized by a poor competitive environment. And this poor competitive environment is concerned; banks can offer higher interest rate and the private banking system in Ethiopia is characterized by an inadequate risk management system. So, the researcher suggested that international standards and codes of best practice need to be adopted in the Ethiopian corporate sector Asnakech, (2013).

Solomon (2018) assessed Corporate Governance Practices in Ethiopian Insurance Company by taking four insurance companies as case study. The objective of the study was to assess level of corporate governance practice in Insurance industry based on of National bank of Ethiopia's Directive and OECD principles. The researcher used some components like board of directors,

shareholders, Executive directors, supervisory organ and disclosure as major assessment. Data were analyzed by SPSS data analysis technic. The research finding is Insurance Companies in Ethiopia has a good corporate governance foundation because of it has strong regulatory organ. However the researcher's do not believe the finding that mentioned is the only reason because there might be another reason such as number of insurance companies are very small so this might be one reason.

Hussein (2012), Studied about overview of corporate governance specifically on the role, remuneration and composition of board in Share Company. The researcher reviewed Ethiopian company law in relation to the powers, remuneration and composition of board of directors in light of internationally recognized best practices and principles of corporate governance of the board. And the researcher believed that corporate governance and corporate management should be separate and the board should have truly composed of non-executive and truly independent and the director's remuneration should be based on the result. And the researcher some suggestion to the country to follow international best practice and to have a board a core group of excellent, professionally qualified non-executive directors who understand their dual role of appreciating the issues put forward by management and honestly discharging their fiduciary responsibilities towards the company's shareholders as well as creditors. And the final suggestion to the Ethiopia legal drafting body is to give special attention to be to adopted advanced experiences in corporate governance of public companies and OECD principles of corporate governance Hussein (2012).

Fireiwot (2016) conducted the research; corporate governance effect on Ethiopian commercial banks financial performance is objectives of the Study. By taking a sample of nine companies from all 18 commercial banks operating in Ethiopia to comparisons using ten years data from 2005 to 2014 and the study has tested using hypotheses analysis. Quantitative and qualitative technics has employed. The data has used from primary and secondary resources and analyzed by using both descriptive and inferential statistics model and financial performance is dependent variables by used ROA to measure the performance and board Members' industry experience, board size, board gender diversity, board members educational qualification, size of audit committee and frequency of board meeting are used as independent variables. The study included bank size and firm age as controlling variables. The researcher measures the size of the

board by hypothesized the number of directors serving on such boards and by expecting to have a negative relationship with firm performance. The regression analysis technique has been used to empirically test.

According to the findings, the argument that an increase in board size, Audit Committee size and Meeting Frequency would lead to less effective and efficient monitoring of the activities of management. And Board Members Educational Qualification, Industry Specific Experience of Directors and Effect of New Corporate Governance Directive have positively affected financial performance of Ethiopian commercial banks. But as the finding result shows Board Gender Composition has insignificant relationship between board gender composition and financial performance of Ethiopian commercial banks. In spite of the fact that some previous studies document a positive and insignificant effect of the role of women on boards and find that women enhance the quality of decision making and firm performance especially half of the populations are women in Ethiopia and they have more network. They are critical thinkers and they more customers caring ability than men Ferede (2012).

In addition to the above reviewed empirical researches, some other scholars have conducted their research on the area of corporate governance in Ethiopia. Of the few Master's thesis projects that are available online and some are found in library and reviewed to this study, the researcher observed the focused sectors of the literateurs. Based on the researcher's literature review, 90% of the researches are focused on the financial sector. Every researcher tells about the unique nature of the banking firm; requires the legal protection of depositors equally as that of shareholders and multi variety characteristics of the sector but the one thing those researchers missed is it's not the only the unique nature of the financial sectors problem but it's also the problem of other sectors. Because the financial sector has got attention, the government has assigned regulatory body to regulate the activities of bank and insurance. And NBE regulates financial activity, board election processes, the board experience and qualification of banks and insurance members. However, other sectors are governed by 1960 commercial code with all its problems. But this is a known fact, these sectors have significant contributions in the country's economy on providing large size of job opportunity and it's also known that shear businesses have a capacity to raise huge capital that couldn't afford to maintain by individuals. According to the ministry of trade and industry report; they observed that there has been a problem in various issues and they

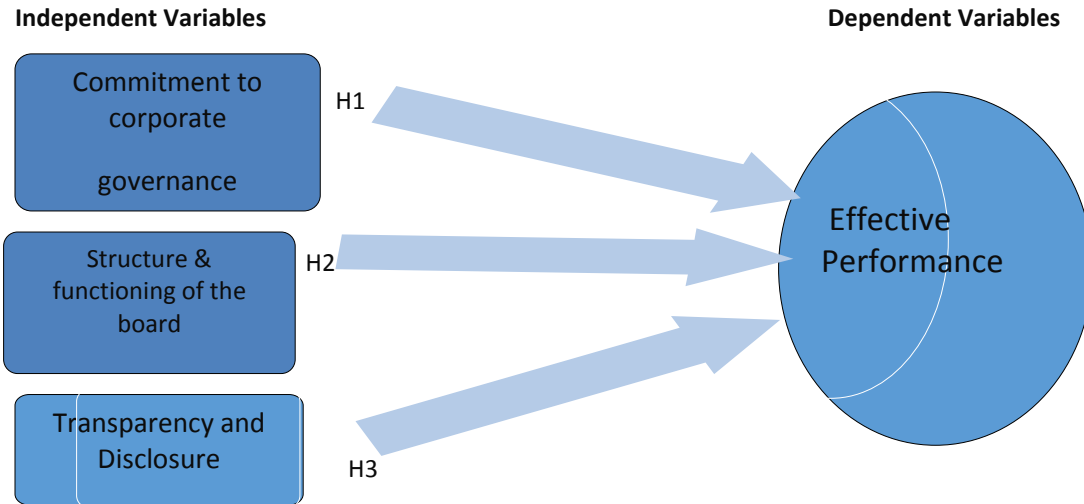
started to take an action by drafting regulatory mechanisms because the 1960 commercial code doesn't give them any right to take corrective measures rather than negotiator. So the researcher assumes the problems that are identified by the government organs and some scholars are in need of a solution.

Therefore this research is focused on non-financial sector because the researcher assume non-financial also play vital role in the global as well as on local economy and also they will have their own unique nature because when non-financial sector operating capacity increases the depositors or saving capacity will increase and the banking activity will also increase if not the bank activity will decrease and there is many activity that will affect directly or indirectly. So all non-financial sector will need strict regulation. So the aim of this research is assessing the role of corporate governance for effective company performance. And to contribute some policy input both to government organ and voluntarily established Ethiopian corporate governance institute. And also to show the non-financial sectors perspective and profile by conducting his research beyond the boundary of the financial sector and taking Habesha Cement S.C which is located in Oromia regional state welmera wereda in Holeta town and assess the role of corporate governance on the effect of company performance. Therefore, this research work intends to fill the knowledge gap in the area while it stimulates further studies by other researchers. Accordingly, this study aims to assess the role of corporate governance to the effective performance of particularly in the case of Habesha Cement S.C.

2.3 Conceptual frameworks

Conceptual framework of the research, depicted in figure-1 below, is developed based on the review of pertinent theoretical literatures. Accordingly, company effective performance—the Dependent Variable in a given context or organization is determined by a number of factors [Independent Variables of the study] that include The independent variables are delimited to some corporate governance characteristics like; Commitment to corporate governance, Structure & functioning of the board, and Transparency and Disclosure . The researcher further argues that the independent variables tend to affect company performance either directly or indirectly. As such the research will try to explain how the independent variables affect the dependent variable. Further analysis will be made against corporate governance characteristics to see if there is variation in the survey results across the variables.

Figure 1 Conceptual Framework of the Study



Source: Own based on the Theoretical literature and Research objectives

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research is a combination of exploratory and descriptive study types. The exploratory aspect explores corporate governance principles being practiced in an organization taking Habesha Cement S.C. as a case representative of non-financial share company. Furthermore, with its descriptive dimension, the study deals with describing the directional relationship between corporate governance characteristics and organizational performance. In this regards, cross-sectional study will be employed i.e. quantitative research technique will be applied under the descriptive approach. Accordingly, the Researcher uses questionnaires and interview to collect data from the respondents and understand and predict some aspects of the role of corporate governance on company performance.

3.2 Research Approach

The research design is a survey research which employed descriptive approach and quantitative data collection and analysis. Structured questioner will be employed to generate the quantitative information relevant to answering the research question. In addition the SPSS software version 23 were employed in testing the hypotheses by way of describing the directional relationship between the key organizational study variables i.e. Effective performance vs. the independent variables related to commitment to corporate governance, structural and functioning of the board. The Document review will further be used to generate findings that validate as well as complement and/or supplement the survey results.

3.3 Target Population and Sampling Design

The study's target populations were members of the 800 employees of Habesha Cement S.C. the study was focused in both Addis Ababa and project office in Oromia. Among these employees selected 5 senior executive organs of the organization i.e. Habesha Cement management and the highest governance body that are board committee In addition, 22 Shareholder and also

employees of Habesha cement, and 61 administrative staffs of Habesha Cement at the Head quarter and project office in Oromia. In terms of sampling design, purposive sampling techniques were employed for selecting senior executive organs, Shareholder and also employees and administrative staffs. But for each selected groups simple random sampling techniques were employed; particularly through lottery method with the assumption that all the employees have equal chance of being selected and to obtain representative sample.

3.4 Sample Size Determination

A total of 88 (out of 800) staff members of Habesha Cement S.C was selected to participate in the performance survey. This is fairly a representative size as can be seen in Table-1, which is determined based on Carvalho’s (1984).

First, the study population of 800 falls under the class –mark of 501-1200. The sample size recommended for this population ranges from the minimum of 32 to the maximum of 125. Thus, the medium size of 80 was considered as sufficiently representative. Then, additional 8 or 10% of the sample size was included, to avoid the risk of non-response rate. This added-up to 88, which is the final sample size.

Table 1: Sample Size Determination Model

Population	Sample size		
	Low	Medium	Large
51-90	5	13	20
91-150	8	20	32
151-280	13	32	50
281-500	20	50	80
501-1200	32	80	125
1201-3200	50	125	200
3201-10000	80	200	315
10001-35000	125	315	500
35001-150000	200	500	800

Source: J.Carvalho" Archival application of mathematical sampling techniques", Records Management Quarterly 18:63 (1984).

3.4.1 Sample Selection Procedure/Tool:

Insisting on the random selection of a sample that reflects the composition of the stakeholders, the researcher adopted simple random sampling techniques on the basis of proportionate to size by sex and position as stated before. The actual sample selection, from the stakeholder's list- the sampling frame, was conducted prior to the commencement of primary data collection task.

3.5 Sampling Technique

Proportional stratified sampling technique: Probabilistic Stratified Sampling was applied to draw a representative number of; shareholders, non-shareholders, independent and non-independent board members, audit committee and other relatives (here in after stakeholders). Proportionate to the size across the attributes of Position of the staff members.

The total of 800 employees of Habesha Cement S.C. constitutes the study population. Hence, the sample frame of the study was the list of existing Habesha Cement stakeholders.

3.6 Data Collection Techniques/Instrument

Appropriate data collection techniques were employed to generate both quantitative and qualitative data from primary and secondary sources. The methods and tools of data collection by sources are briefly outlined as follows.

3.6.1 Primary Sources

Quantitative data were collected from a sample of Habesha Cement S.C from 4 executive's management, 1board, 61employees and 22 owners. By used employees Survey method and used structured questionnaire adjusted for all variables/research questions and hypothesis.

3.6.2 Secondary Sources

Quantitative data were gathered from secondary sources. Study reports in relation to the research topic, organizational documents including strategic and operational plans; commitment to corporate governance, structural and functioning of the board, transparency and disclosure: duration of the board, board size, board composition, audit quality, financial statements, human resource development, personnel and finance manuals of Habesha Cement S.C.; and others from Websites.

3.7 Procedure of Data Collection.

3.7.1 Selection of Habesha Cement as Case

Habesha Cement S.C is purposively selected since it is legally registered in 2008GC as per Ethiopia's commercial code to Produce and market high quality cement and related construction inputs within three years period. However, it took around 10 years to become functional.

3.7.2 Selection of Key Informants in IDI Participants

The researcher was purposively selected individuals who are among the senior executive organ or management committee of the Habesha Cement. Accordingly, around six persons was selected that include the executive director, vice-chair person of the board of directors, finance manager, subordinate level managers for human resource development and audit committee members as well as a senior representative of the staff.

3.8 Data Analysis and Presentation

The researcher used appropriate techniques and tools for the analysis and presentation of findings obtained from the primary and secondary sources stated before. To start with the quantitative data; following the completion of data collection, the filled-in survey questionnaires were checked for their cleanness thereby determine those valid responses as qualifying for analysis. Then, the responses will be coded and entered into the SPSS version 23 format that was designed for the analysis. Finally, prior to actual analysis task, reliability check was conducted for all of the variables that involved a Likert scale or ratings form 1= strongly disagree to 5= Strongly Agree. Accordingly, Cronbach's Alpha value of 0.993 obtained that revealed a strong internal reliability for the responses. [Cronbach's Alpha 0.676 is the minimum while reliability is higher as the value approaches to 1].

Overall, the analysis and interpretation mainly involved simple descriptive statistics including tables and charts on frequency distributions, averages, cross-tabulations; among others. Moreover, advanced statistical analysis like correlations, chi-squared tests, regression analysis like ANOVA tests were employed. This helped determine the level or strength and direction of relationship among the variables. Equally important, the significance of relationship between the dependent and independent variables coupled with the analysis outputs stated before was vital to accept or reject the research hypotheses.

Then the analysis and interpretation of the survey results was substantiated by the findings from document review. In this regards, thematic analysis was applied in the secondary document review; the findings of which was used to verify or validate the survey results.

3.9 Remarks-Validity and reliability

Remarks-validity and reliability will be duly considered by the researcher while developing the data collection instruments. The drafted tools stated above i.e. The structured questioner, interview guide will first be circulated to panel researchers for their comments and feedback. Upon approval by the research advisor, the instrument was pilot-tested before the actual data collection process. Then the research team administered the questioners to the sample employees. More over ethical issues like consent for participation, privacy and confidentiality will be critical while designing and administrating the instruments.

CAPTER FOUR

PRESENTATION ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

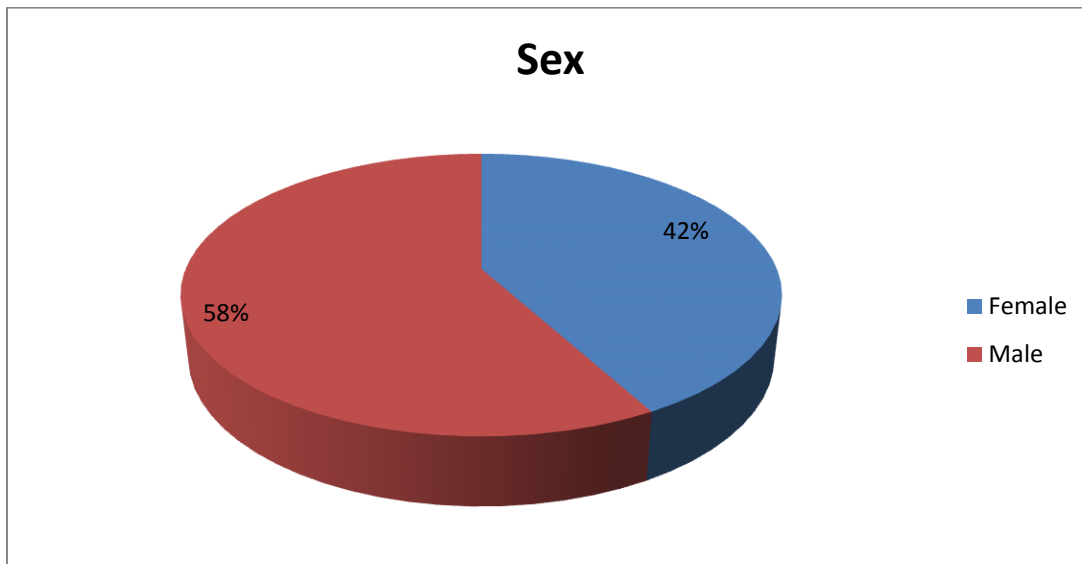
This chapter deals with the information obtained from the respondents. Document review and interview have also been conducted to acquire an insight of the devolution of corporate governance practice in Habesha Cement. Self-complete questionnaire were distributed to five executives managers and other respondent's interview questions were received back. The response rate was 100%.

4.2 Demographic Characteristics of the Respondents

4.2.1 Sex of the Respondents

Out of the total 88 staff members included in the survey, 37(42%) were female and 51(58%) were male respondents.

Figure 2: Sex of respondents (N=88 Valid responses)



4.2.2 Age of the Respondents

Descriptive statistics on age of the respondents showed that the first age groups 18 to 29 years are 26 or 29.5%, the maximum age of the organization stakeholders are between the age group 30 to 45 which is 55(62.5%). Further analysis on age groups, presented in table-below, revealed that 7 (8%) are 45 and above.

Table 4.1: Respondents by category (N=88 Valid responses)

Age group	Frequency	Percent	Cumulative Percent
18-29 yrs	26	29.5	29.5
30-45 yrs	55	62.5	92.0
>=46yrs	7	8.0	100.0
Total	88	100.0	
Level of education	Frequency	Percent	Cumulative Percent
Degree	78	88.6	88.6
Masters	10	11.4	100
Total	88	100.0	
Level of function	Frequency	Percent	Cumulative Percent
Shareholder	22	25	25
Top Management and Board	5	5.7	30.7
Officer	61	69.3	100
Total	88	100	
Level of experience	Frequency	Percent	Cumulative Percent
<1yer	9	10	10
1-3years	59	67	77
3.5years	14	16	93
>10years	6	7	100
Total	88	100.0	

Educational status of the respondents was assessed. As depicted in Table4, 78(88.6%) of the total respondents have first degree. While 10(11.4%) have second degree.

The respondents' position and years of experience was assessed and presented as follows, In terms of position, 22 (25.0%) of the respondents were shareholders ,5(5.7%) of the respondents were top and middle level management, whereas the remaining 61 (69.3%) were officer of the organization.

With regards to experience, figure 3, 9 of the respondents have served the organization for less than a year, 59 of the respondents have served 1to 3 years, 14 of the respondents have served 3 to 5 years and 6 of the respondents have served more than 10 years period.

4.3 Presentation and Analysis of Major Findings

4.3.1 Commitment to Corporate Governance

4.3.1.1. Responses of sampled respondents on Commitment to Corporate Governance practices.

1=strongly disagree, 2=Disagree, 3= Neutral, 4=Agree, 5=strongly agree

This unit gives a description of research objective one which was assessed with a variety of questions that assesses the company and its shareholders have demonstrated a commitment to implementing high quality Corporate Governance practices policies and Practices. As per Section I of the Instrument (Appendix I)

As table 6 below shows 32(36.3%) of the respondents disagreed and 42(47.7%) were neutral on the Company has designated officer to ensure the compliance committee or other appropriate sub-committee of the Board Whereas 14(15.9%) agreed. Similarly, 35.3% of the respondents disagreed and 48.9% were neutral, but 15.9% of the respondent were agree to the corporate governance manual stipulate the major stakeholders, whose interests must be taken into account. There is an identified officer of the company tasked with the responsibility of ensuring that the company follows their own Corporate Governance policy or manual with this issue 45.5% of the respondents were not agreed, 38.6% were neutral, however 15.9% of participants were agreed. 64.8% of respondents were strongly disagreed and disagreed that the company corporate governance policy or manual is easily available and familiarized to personnel and staff of the company and 20% were neutral. Some respondents (14.8%), however, are agreed on the availability and familiarity of the company corporate governance policy. as indicated in the table

50% of respondents disagreed, 12.5% neutral and 37.5% are agreed on the discussion of corporate governance issues in the Annual report of the company.

Likewise, 44.3%, 59.1%, 33%, 55.75 and 44.8% of respondents were disagreed that the providing of adequate information by Management when making accountability, the degree of participation during the accountability process leads to compliance; the accountability process is used as a means of assessing resource allocation, and the management of Habesha Cement commitment to the accountability process respectively. On the other hand 17%, 35.2%, 47.7%, 38.6% and 44.3% of the participants were neutral though 38.6%, 5.7%, 19.3%, 5.7 and 8% of the respective respondents were given agreed response for the same questions.

Table 4.2: Level of Agreement on Commitment to Corporate Governance

Commitment to Corporate Governance	SD	D	N	A	SA	Total
Company has designated officers to ensure the compliance committee or other appropriate sub -committee of the Board.	17.05 %	19.32 %	47.73 %	14.77 %	1.14 %	100%
The CG code or manual specify the major stakeholders, whose interests must be taken into account.	14.77 %	20.45 %	48.86 %	15.91 %	0.00 %	100%
There is an identified officer of the company tasked with the responsibility of ensuring that the company follows their own CG policy or manual	21.59 %	23.86 %	38.64 %	15.91 %	0.00 %	100%
The CG policy or manual is easily available and familiarized to personnel and staff of the company	28.41 %	36.36 %	20.45 %	14.77 %	0.00 %	100%
The Corporate governance issues are discussed in the Annual report of the company.	10.23 %	39.77 %	12.50 %	37.50 %	0.00 %	100%

The company has a written corporate governance (CG) policy or manual that deals comprehensively with corporate governance issue.	11.36 %	44.32 %	19.32 %	25.00 %	0.00 %	100%
Management provides adequate information when making accountability	15.91 %	28.41 %	17.05 %	38.64 %	0.00 %	100%
Management adheres to accountability procedures set by law	12.50 %	19.32 %	28.41 %	39.77 %	0.00 %	100%
There is stakeholder participation during accountability	28.41 %	30.68 %	35.23 %	5.68 %	0.00 %	100%
The degree of participation during the accountability process leads to compliance	27.27 %	5.68 %	47.73 %	19.32 %	0.00 %	100%
The accountability process is used as a means of assessing resource allocation	14.77 %	40.91 %	38.64 %	5.68 %	0.00 %	100%
The management of Habesha Cement is committed to the accountability process	39.77 %	7.95 %	44.32 %	7.95 %	0.00 %	100%
In Habesha cement, there is resource monitoring	27.27 %	25.00 %	36.36 %	11.36 %	0.00 %	100%
Significant departures from accountability set targets are reported	23.86 %	25.00 %	34.09 %	17.05 %	0.00 %	100%
The availability of monitoring frameworks enhances accountability	37.50 %	32.95 %	11.36 %	17.05 %	1.14 %	100%
Management provides active role and follow up for tracking variances and backlash	22.73 %	28.41 %	26.14 %	22.73 %	0.00 %	100%
There is a clear methodology of tracking	26.14 %	43.18 %	21.59 %	9.09 %	0.00 %	100%

accountability	%	%	%	%	%	
There is identification of the risky areas likely to affect the accountability process	25.00 %	47.73 %	14.77 %	12.50 %	0.00 %	100%
There are well set internal controls practices to check the accountability process	25.00 %	54.55 %	9.09 %	11.36 %	0.00 %	100%
Independent financial reviews are carried out at the company	17.05 %	44.32 %	18.18 %	19.32 %	1.14 %	100%
The Company adheres to set cement sector policies, rules and regulations	11.36 %	36.36 %	13.64 %	28.41 %	10.23 %	100%
There are effective internal controls used to monitor the operations of Habesha cement.	15.91 %	12.50 %	19.32 %	47.73 %	4.55 %	100%
Staff are aware of the policies, laws and regulations Valid N (list wise)	28.41 %	31.82 %	26.14 %	13.64 %	0.00 %	100%

The results on in Habesha cement, resource monitoring; 52.3% were disagreed, 36.4% were neutral whereas 11.4% of response were agreed. According to the data on table 6, 48.9%, 70.5%, 51.1%, 69.3% and 72.7% of respondents disagreed that Significant departures from accountability set targets are reported, The availability of monitoring frameworks enhances accountability, Management provides active role and follow up for tracking variances and backlash, There is a clear methodology of tracking accountability and There is identification of the risky areas likely to affect the accountability process consecutively. Contrary to this 17%, 18.1%, 22.7%, 9.1%, and 12.5% of respondents were agreed on the above issues and the remaining respondents are neutral. Similarly 79.5% of the respondents disagreed on the availability of sound internal controls practices to check the accountability process but 11.4% agree on this and 9.1% are neutral.

On the same way, 54(61.3%) of the respondents are not willing to agree that Independent financial reviews are carried out at the company but there are also 18(20.4%) of respondents

agreed to this issue and 16(18.2%) are neutral. On the other hand, 47.8% of respondents were disagreed on the Company adheres to set cement sector policies, rules and regulations whereas 38.6% of respondents are agreed on the issue and 13.6% are neutral. 28.4% of respondents are disagreed with the effective internal controls that company use to monitor the operations, however 52.2% of the respondents are agreed and 19.3% are neutral. On the issues of Staff awareness on the policies, laws and regulations 60.2% of respondents are disagreed whereas 13.6% are agreed with the issue and 26.1% are neutral. finally as the assessment work book shows under the commitment to corporate governance there is maximum mean of 3.13 and minimum of 2.47. The average mean and standard deviation is 2.47 and .990 consecutively

4.3.2 Structure and Functioning of the Board

4.3.2.1. Responses of sampled respondents on Structure and functioning of the board.

The purpose of this questionnaire was to know The Board of directors is up to the task of overseeing the strategy, management and performance of the company

As table 4.3 below shows, 53.4% of the respondents disagreed and 36.4% were neutral on demonstrates self-confidence by getting involved in decision making but 10.2% agreed. Similarly, 43.2% of the respondents disagreed and 43.2% were neutral, but 13.6% of the respondents were agreeing to the Board members possess the required knowledge and skills required to perform their roles. Boards members provides mutual support and monitor the operations of the company with this issue 61.3% of the respondents were not agreed, 26.1% were neutral, however 12.5% of participants were agreed. 61.4% of respondents were strongly disagreed and disagreed that Board members have the capability of assessing monetary and financial documents and 29.5% were neutral. Some respondents 9.1%, however, are agreed on the board members capability to assessing monetary and financial documents. As indicated in the table 71.6% of respondents disagreed, 17% neutral and 11.4% are agreed on the Board members capacity to develop policies and procedures. On the same way, 71.6% of the respondents are not willing to agree that the management committee of Habesha is competent to handle the operations of the company but there are also 13.6% of respondents agreed to this issue and 14.8% are neutral. On the other hand, 71.6% of respondents were disagreed on the management committee for independent during decision making whereas 4.5% of respondents are agreed on the issue and 23.9% are neutral. 69.3% of respondents are disagreed with the board composition

as diversified with regards to skills and competences, however 8% of the respondents are agreed and 22.7% are neutral.

Likewise, 62.5% of respondents were disagreed that the boards are composed of competent members, and 25% respondents were neutral and 12.5% are agreed with issue. Majority of the respondents which is 71.6% of the participant who gave their response disagreed on during board formation, representation from all stakeholders is considered, and 14.8% were neutral however 13.6% are agreed. 69.3% of respondents strongly agree and 23.9% neutral to the integrity of board members is considered at the time of board formation. But, 6.8% of the respondents are agreed on the issue. As revealed on the table below, 76.2 % of respondents disagree and 17% neutral that when appointing board member, there would be gender balance. While, 6.8% of respondents are disagree. Similarly, 60.2% of the respondents disagreed and 31.8% were neutral, but 7.9% of the respondents were agreeing to the equations that during board formation, members' track record is considered. Respondents were asked whether the board co-opts members with expert knowledge and skill in particular fields. In this regard majority 69.3% respondents disagreed and 11.4% respondents were neutral but 19.3% of respondents are agreed.

Table 4.3: Level of Agreement on Structure and functioning of the board

Structure and Functioning of the Board	SD	D	N	A	SA	Total
I demonstrates self-confidence by getting involved in decision making	15.91%	37.50%	36.36%	10.23%	0.00%	100%
Board members possess the required knowledge and skills required to perform their roles	19.32%	23.86%	43.18%	13.64%	0.00%	100%
Board members provides mutual support and monitor the operations of the company	22.73%	38.64%	26.14%	12.50%	0.00%	100%
Board members have the capability of assessing monetary and financial documents	12.50%	48.86%	29.55%	9.09%	0.00%	100%

Board members have the capacity to develop policies and procedures	22.73%	48.86%	17.05%	11.36%	0.00%	100%
The management committee of Habesha is competent to handle the operations of the company	27.27%	44.32%	14.77%	13.64%	0.00%	100%
The management committee is independent during decision making	20.45%	51.14%	23.86%	4.55%	0.00%	100%
Board composition is diversified with regards to skills and competences	26.14%	43.18%	22.73%	7.95%	0.00%	100%
The boards are composed of competent members	31.82%	30.68%	25.00%	12.50%	0.00%	100%
During board formation, representation from all stakeholders is considered	23.86%	47.73%	14.77%	13.64%	0.00%	100%
The integrity of board members is considered during board formation.	34.09%	35.23%	23.86%	6.82%	0.00%	100%
When appointing board member, there is gender balance	30.68%	45.45%	17.05%	5.68%	1.14%	100%
During board formation, members' track record is considered	44.32%	15.91%	31.82%	6.82%	1.14%	100%
The board co-opts members with expert knowledge and skill in particular fields.	35.23%	34.09%	11.36%	18.18%	1.14%	100%
The board has the mandate to carry out resource allocation	31.82%	37.50%	13.64%	17.05%	0.00%	100%
The board takes decisions independently	18.18%	40.91%	22.73%	17.05%	1.14%	100%

The board of is autonomous	23.86%	37.50%	19.32%	18.18%	1.14%	100%
The board decides on the internal control system to be instituted at the company	30.68%	21.59%	23.86%	23.86%	0.00%	100%
The board delegates some of its responsibilities to sub-committees or subordinates	29.55%	23.86%	18.18%	27.27%	1.14%	100%
The company publishes meaningful quarterly reports, containing segment reporting as well as results per share, consistent with IAS form. Is there a detailed analysis of any deviation from previously announced earnings, targets and strategic goals?	21.59%	34.09%	15.91%	23.86%	4.55%	100%
The Board has a sufficient number of independent board members.	11.36%	30.68%	22.73%	32.95%	2.27%	100%
The Board dedicate enough time for its responsibilities.	32.95%	21.59%	11.36%	31.82%	2.27%	100%
The Board has a written code for the guidance of directors regarding their rights and duties, their prerogatives and responsibilities	17.05%	20.45%	18.18%	40.91%	3.41%	100%
There is a Code of Ethics for the entire Company operation	13.64%	29.55%	14.77%	39.77%	2.27%	100%
The Board has an Audit Committee, composed of independent directors, that chooses the external auditor, receives reports directly from the external auditor, oversees the work of the internal auditor, and makes sure that audit and Regulator's findings are	14.77%	20.45%	9.09%	52.27%	3.41%	100%

The Board has actively functional committees or delegated sub -committees (compliance, nomination, compensation, and risk management).	10.23%	15.91%	21.59%	46.59%	5.68%	100%
The Board is provided with all relevant information, within sufficient time for study and analysis, to enable directors to exercise their duties of guiding corporate strategy, monitoring performance and providing oversight to top management.	11.36%	13.64%	13.64%	52.27%	9.09%	100%
Board meetings are held according to a regular schedule, agendas prepared in advance, minutes prepared and approved.	11.36%	18.18%	9.09%	48.86%	12.50%	100%
The Board have a performance evaluation system to evaluate its own performance	18.18%	7.95%	32.95%	30.68%	10.23%	100%

Respondents were also asked to give their opinion whether the board has the mandate to carry out resource allocation. In this regard 69.3% of respondents disagreed and 13.6% of respondents are neutral and 17% are agreed. Similarly 59.1% of the respondents disagreed on the board takes decisions independently but 18.1% agree on this and 22.7% of the respondents are neutral. The respondents were asked about the board of is autonomous 61.4% were disagreed, 19.3% were neutral and with the same 19.3% the respondents agreed on the board of is autonomous. 52.3% of the respondent was gives negative response for the board decides on the internal control system to be instituted at the company and equally 23.9% of respondents are agreed and neutral on the issue. 53.4% of the respondents were disagreed on the board delegates some of its responsibilities to sub-committees or subordinates Meanwhile 18.2% are neutral and 27.3% are agreed. On the other hand 55.7% of the respondents were disagreed to the question that Company publishes meaningful quarterly reports, containing segment reporting as well as results per share, consistent with IAS form and there is a detailed analysis of any deviation from

previously announced earnings, targets and strategic goals and 15.9% of respondents were neutral for this question but 28.4% of respondent were agreed with the question.

On the same way, 42.1% of the respondents are not willing to agree that the Board has a sufficient number of independent board members but there are 35.3% of respondents agreed to this issue and 22.7% are neutral. On the other hand, 54.6% of respondents were disagreed The Board dedicate enough time for its responsibilities. Whereas 34.1% of respondents are agreed on the issue and 11.4% are neutral. 37.5% of respondents are disagreed with the Board has a written code for the guidance of directors regarding their rights and duties, their prerogatives and responsibilities, however 44.3% of the respondents are agreed and 18.2% are neutral. On the issues of has a company Code of Ethics for the entire Company operation 43.1% of respondents are disagreed whereas 42.10% are agreed with the issue and 14.8% are neutral.

A frequency of 35.3 % disagrees and 9.1% of respondents are neutral but despite the fact 55.7% of respondents are agreed for having the Board has an Audit Committee, composed of independent directors, that chooses the external auditor, receives reports directly from the external auditor, oversees the work of the internal auditor, and makes sure that audit and Regulator's findings are. 26.1% disagreed that the Board have actively functional committees or delegated sub -committees (compliance, nomination, compensation, and risk management) and 21.6% were neutral but majority of the respondents are agreed on the issue at 52.3%. The same as with previous result there is also majority of the respondents are agreed on The Board is provided with all relevant information, within sufficient time for study and analysis, to enable directors to exercise their duties of guiding corporate strategy, monitoring performance and providing oversight to top management on 61.4% but the remaining respondents are come with 25% disagreed and 13.6 of neutral.

Similarly, 29.6% of the respondents disagreed and 9.1% were neutral, but 61.4% of the respondents were agreeing to the Board meetings are held according to a regular schedule, agendas prepared in advance, minutes prepared and approved. The Board has a performance evaluation system to evaluate its own performance with this issue 26.2% of the respondents were not agreed, 33% were neutral, however 40.9% of participants were agreed.

In conclusion as the assessment work table shows in Structure and functioning of the board there is maximum mean of 3.07 and minimum mean of 2.01. The average mean and standard deviation is 2.49 and .978 consecutively.

4.3.3 Transparency and Disclosure

4.3.3.1. Responses of sampled respondents on Transparency and Disclosure.

The purpose of this questionnaire was to know The Company's financial disclosures are a relevant, faithful, and timely representation of its economic transactions and resources.

As table 4.4 below shows 14.7% of the respondents disagreed and 29.5% were neutral on internationally recognized accounting and auditing system is in place whereas 55% agreed. Similarly, 36.4% of the respondents disagreed and 29.5% were neutral, but 34.1% of the respondent were agree to the company publishes all public information. There is no falsification of information at the company with this issue 3.4% of the respondents were not agreed, 65.9% were neutral, however 30.7% of participants were agreed. 45.4% of respondents were strongly disagreed and disagreed that the all relevant documents/reports/statements of the company are available for access and 21.6% were neutral. Some respondents (33%), however, are agreed on the All relevant documents/reports/statements of the company are available for access. as indicated in the table 48.9% of respondents disagreed, 21.6% neutral and 29.5% are agreed on the information provided to the public is complete.

Dissemination of company information is done in a timely manner; 59.1% were disagreed, 8% were neutral whereas 32.9% of responses were agreed. Similarly 65.9% of the respondents disagreed on the company provides regular progress reports about its performance to statutory bodies. But 9.1% agree on this and 25% are neutral.

On the same way, 60.2% of the respondents are not willing to agree that at the company, management ensures that certification of agency records is carried out. And there are also 33% of respondents were neutral to this issue but 6.8% are agreed. On the other hand, 60.2% of respondents were disagreed on the company's financial statement are authenticated by legal bodies whereas 20.4% of respondents are agreed on the issue and 19.3% are neutral. 80.7% of respondents are disagreed with the company's regularly under goes an audit process to verify its performance, however 10.2% of the respondents are agreed and 9.1% are neutral. On the time

verification processes, issues raised are addressed appropriately 87.5% of respondents are disagreed whereas 5.7% are agreed with the issue and 6.8% are neutral.

As table 4.4 below shows, 76.2% of the respondents disagreed and 8% were neutral on Proof of company's expenditures and revenue are ascertained by external auditor but 15.9% agreed. Similarly, 76.1% of the respondents disagreed and 13.6% were neutral, but 10.2% of the respondents were agreeing to the audit is performed by a recognized national/international firm. The Annual Report discuss the company's risk management system and its corporate governance practices with this issue 73.8% of the respondents were not agreed, 14.8% were neutral, however 11.4% of participants were agreed. 70.5% of respondents were strongly disagreed and disagreed that company's annual financial statement is published no later than 3months and the quarterly report no later than 2 months after the end of the reporting period and 18.2% were neutral. Some respondents 11.4%, however, are agreed on company's annual financial statement is published no later than 3months and the quarterly report no later than 2 months after the end of the reporting period. As indicated in the table 59.1% of respondents disagreed, 18.2% neutral and 22.7% are agreed on the company's Annual Report contains information on significant cross shareholdings (say 5% or more). On the same way, 57.9% of the respondents are not willing to agree that the Conflicts of interest are fully revealed through a clear and well established mechanism, approved by the regulatory authorities but there are also 17% of respondents agreed to this issue and 25% are neutral.

Table 4.4: Level of Agreement on Transparency and Disclosure

Transparency and Disclosure	SD	D	N	A	SA	Total
An internationally recognized accounting and auditing system is in place.	1.14%	13.64%	29.55%	27.27%	28.41%	100%
The company publishes all public information.”	2.27%	34.09%	29.55%	31.82%	2.27%	100%
There is no falsification of	2.27%	1.14%	65.91%	30.68%	0.00%	100%

information at the company						
All relevant documents/reports/statements of the company are available for access	3.41%	42.05%	21.59%	20.45%	12.50%	100%
The information provided to the public is complete	3.41%	45.45%	21.59%	29.55%	0.00%	100%
Dissemination of company information is done in a timely manner	11.36%	47.73%	7.95%	28.41%	4.55%	100%
The company provides regular progress reports about its performance to statutory bodies.	18.18%	47.73%	25.00%	9.09%	0.00%	100%
At the company, management ensures that certification of agency records is carried out.	21.59%	38.64%	32.95%	6.82%	0.00%	100%
The company's financial statement are authenticated by legal bodies	18.18%	42.05%	19.32%	15.91%	4.55%	100%
The company's regularly under goes an audit process to verify its performance	19.32%	61.36%	9.09%	10.23%	0.00%	100%
During the verification process, issues raised are addressed appropriately.	34.09%	53.41%	6.82%	5.68%	0.00%	100%
Proof of company's expenditures and revenue are ascertained by external auditor.	30.68%	45.45%	7.95%	14.77%	1.14%	100%

The audit is performed by a recognized national/international firm.	50.00%	26.14%	13.64%	9.09%	1.14%	100%
The Annual Report discuss the company's risk management system and its corporate governance practices	22.73%	51.14%	14.77%	11.36%	0.00%	100%
The company's annual financial statement is published no later than 3months and the quarterly report no later than 2 months after the end of the reporting period.	25.00%	45.45%	18.18%	11.36%	0.00%	100%
The company's Annual Report contains information on significant cross shareholdings (say 5% or more).	28.41%	30.68%	18.18%	22.73%	0.00%	100%
Conflicts of interest are fully revealed through a clear and well established mechanism, approved by the regulatory authorities	22.73%	35.23%	25.00%	17.05%	0.00%	100%
All financial analysts are treated equally regarding information dissemination and fair disclosure.	17.05%	42.05%	21.59%	19.32%	0.00%	100%
This information, along with the financial calendar, is readily and regularly put on the internet.	32.95%	31.82%	12.50%	22.73%	0.00%	100%
The company responds to audit	22.73%	25.00%	26.14%	26.14%	0.00%	100%

queries raised by statutory bodies						
The company facilitates understand ability and interpretation of the published information	13.64%	36.36%	21.59%	28.41%	0.00%	100%
The information disclosed by the company is a reflection of its performance	30.68%	27.27%	14.77%	27.27%	0.00%	100%
Due to the company's level of openness it is trusted by the public	21.59%	21.59%	28.41%	28.41%	0.00%	100%
The audited accounts of the company are available for public access	17.05%	38.64%	6.82%	37.50%	0.00%	100%
The information provided by the company are error free	22.73%	14.77%	36.36%	26.14%	0.00%	100%

A frequency of 59% of respondents were disagreed on All financial analysts are treated equally regarding information dissemination and fair disclosure whereas 19.3% of respondents are agreed on the issue and 21.6% are neutral. 64.8% of respondents are disagreed with This information, along with the financial calendar, is readily and regularly put on the internet, however 22.7% of the respondents are agreed and 12.5% are neutral.

Likewise, 47.7% of respondents were disagreed that the company responds to audit queries raised by statutory bodies, and 26.1% respondents were neutral and also 26.1% are agreed with issue. Similarly, 50% of the respondents disagreed and 21.6% were neutral, but 28.4% of the respondents were agreeing to the equations that the company facilitates understand ability and interpretation of the published information. Respondents were asked whether the information disclosed by the company is a reflection of its performance In this regard majority 58% respondents disagreed and 14.8% respondents were neutral but 27.3% of respondents are agreed. Respondents were also asked to give their opinion whether the Due to the company's level of

openness it is trusted by the public in this regard 43.2% of respondents disagreed and 28.4% of respondents are neutral and the same 28.4% of respondent are agreed. Similarly 55.6% of the respondents disagreed on the audited accounts of the company are available for public access but 37.5% agree on this and 6.8% of the respondents are neutral. The respondents were also asked about the information provided by the company are error free, 37.5% were disagreed, 36.4% were neutral but 26.1% of the respondents agreed on the information provided by the company are error free. The relevant, faithful, and timely representation of the economic transactions and resources of The Company's financial disclosures that assessed the transparency and disclosure of the company has showed a maximum mean of 3.68 and a minimum of 1.84 and an average mean of 1.84.

4.3.4 Effective Performance

4.3.4.1. Responses of sampled respondents on Effective Performance.

As table 4.5 below shows 59.1% of the respondents disagreed and 30.7% were neutral on the company is highly productive and values its customers whereas 10.2% agreed. Similarly, 57.9% of the respondents disagreed and 14.8% were neutral, but 27.3% of the respondents were agreeing to the company is one of the fastest growing cement factory in the country. The company's sales volumes have been growing for the last 2 years with this issue 19.3% of the respondents were not agreed but majority of the respondents which is 61.4% were neutral, however 19.3% of participants were agreed. 40.9% of respondents were strongly disagreed and disagreed that the company's sales turnover has grown and 42% were neutral. Some respondents (17%), however, are agreed on the grown of company's sales turnover. The company's return on investment has been growing over the years as indicated in the table 50% of respondents disagreed, and 48.9% of the respondents were neutral but with a very little 1.1% are agreed on the growing of company's return on investments. On the same way, 26.2% of the respondents are not willing to agree The asset base of the company has grown and there were 21.6% of respondents agreed to this issue and 52.3% are neutral. On the other hand, 58% of respondents were disagreed on the company competes favorably in the cement industry whereas 13.6% of respondents are agreed on the issue and 28.4% are neutral. 33% of respondents are disagreed with the company's customer base has grown over the years, however 9.1% of the respondents are agreed and 58% were given neutral response. On the issues of the profit margins of the

company have growth 56.8% of respondents are disagreed whereas 1.1% is agreed which is very small and 42% are neutral. . Majority of the respondents which is 47.7% and 45.5of the participant who gave their response disagreed and neutral on the company, the total costs of operation have continued to reduce, however 6.3% are agreed. In conclusion as the assessment work table shows in Effective performance there is maximum mean of 2.9 and minimum mean of 2.23 the average mean and standard deviation is 2.5 and .9107 consecutively.

Table 4.5: Level of Agreement on Effective Performance

Organizational Performance	SD	D	N	A	SA	Total
The company is highly productive and values its customers.	27.27%	31.82%	30.68%	9.09%	1.14%	100%
The company is one of the fastest growing cement factory in the country	26.14%	31.82%	14.77%	25.00%	2.27%	100%
The company's sales volumes have been growing for the last 2 years	12.50%	6.82%	61.36%	19.32%	0.00%	100%
The company's sales turnover has grown	17.05%	23.86%	42.05%	17.05%	0.00%	100%
The company's return on investment has been growing over the years	26.14%	23.86%	48.86%	1.14%	0.00%	100%
The asset base of the company has grown	5.68%	20.45%	52.27%	21.59%	0.00%	100%
The company competes favorably in the cement industry.	20.45%	37.50%	28.41%	13.64%	0.00%	100%
The company's customer base has grown over the years	12.50%	20.45%	57.95%	9.09%	0.00%	100%

The profit margins of the company have growth	21.59%	35.23%	42.05%	1.14%	0.00%	100%
At the company, the total costs of operation have continued to reduce	15.91%	31.82%	45.45%	6.82%	0.00%	100%

4.4 Correlation and Regression Analysis

Pearson correlation test was conducted to know the degree of relationship between the independent variable i.e. commitment to corporate governance, structural and functioning of the board, transparency and disclosure and the dependent variable i.e. organizational performance. The result using the correlation rule that explain if the correlation coefficient is 1 which mean that the variables are perfectly positively correlated and if it is -1 perfectly negatively correlated, if it is between (1, 0.3) the correlation is positive, and if the result is between (-1, -0.3) it means that the correlation of the variables is negative, and if the result is between (-0.3, 0.3) no correlation between variables.

Note: CG= Commitment to Corporate Governance ST= Structure and functioning of the board

TD= Transparency and Disclosure

EP= Effective Performance

Table 4.6: Correlations

		CG	SF	TD	EP
CG	Pearson Correlation	1	.943**	.941**	.953**
	Sig. (2-tailed)		.000	.000	.000
	N	88	88	88	88
SF	Pearson Correlation	.943**	1	.998**	.998**
	Sig. (2-tailed)	.000		.000	.000
	N	88	88	88	88
TD	Pearson Correlation	.941**	.998**	1	.998**
	Sig. (2-tailed)	.000	.000		.000
	N	88	88	88	88

EP	Pearson Correlation	.953**	.998**	.998**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	88	88	88	88

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

The results of the correlation analysis between the independent variable and dependent variable are shown in table 10 above; as it is indicated there was significant and positive correlation between independent variables and effective performance. Both variables that Structure and functioning of the board and Transparency and Disclosure are equally highly and significantly related with effective performance i.e. ($r = 0.998$, with $p < 0.01$). The next high and significant relationship is Commitment to Corporate Governance ($r = 0.953$, with $p < 0.01$).

The Pearson's Correlation Coefficient for Commitment to Corporate Governance and Effective performance was $r = 0.953$, which was positive with probability value ($p = 0.000$) that is less than $\alpha = 0.01$ level of significance, shows a positive relationship between Commitment to Corporate Governance and Effective performance at the one per cent level of significance. This implied that in order for the factory to enhance its corporate governance, it needs more Commitment to Corporate Governance so as to have a positive influence on the Effective performance at the company.

Pearson's Correlation Coefficient for Structure and Functioning of the Board and Effective performance was $r = 0.998$, which was positive with probability value ($p = 0.000$) that is less than $\alpha = 0.01$ level of significance, shows a positive relationship between Structure and Functioning of the Board and Effective performance at the one per cent level of significance. This implied that in order for the factory to enhance its corporate governance, it needs more Structure and Functioning of the Board so as to have a positive influence on the Effective performance at the company.

Pearson's Correlation Coefficient for Transparency and Disclosure and Effective performance was $r = 0.998$, which was positive with probability value ($p = 0.000$) that is less than Beta = 0.01 level of significance, shows a positive relationship between Transparency and Disclosure and Effective performance at the one per cent level of significance. This implied that in order for the

factory to enhance its corporate governance, it needs more Transparency and Disclosure so as to have a positive influence on the Effective performance at the company.

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999 ^a	.998	.998	.01842

a. Predictors: (Constant), TD, CG, SF

Table 4.8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.680	3	6.227	18345.690	.000 ^b
	Residual	.029	84	.000		
	Total	18.709	87			

a. Dependent Variable: EP

b. Predictors: (Constant), TD, CG, SF

According to Table 4.12, Commitment to Corporate Governance, Structure and functioning of the board and Transparency and Disclosure predict 18.42% of organizational performance (Adjusted R Square = .998). The regression model was significant and thus reliable for making conclusions and recommendations.

4.4.1 Multiple Regression Model

Analysis was conducted on regression analysis to know by how much the independent variable explains the dependent variable. It is also used to understand by how much the independent variable (commitment to corporate governance, structural and functioning of the board, transparency and disclosure) directly influence the dependent variables of organizational performance. The beta value is a measure of how strongly independent variable influences the dependent variable. The higher the beta value the greater the impact of the independent variable on the dependent variable.

$$EP = \mathbf{B} + B_1X_1 + B_2X_2 + B_3X_3 + \dots$$

X1= Commitment to corporate governance

$$EP = -0.008 + 0.115X_1 + 0.259X_2 + 0.631X_3$$

X2= Structural and functioning of the board

Where: EP=Effective Performance

X3= Transparency and disclosure

Table 9: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.008	.011		-.730	.468
	CG	.115	.013	.109	8.540	.000
	SF	.259	.078	.259	3.337	.001
	TD	.631	.075	.637	8.364	.000

a. Dependent Variable: EP

The coefficient (Beta, B) value indicated that a change of one standard deviation in the independent variable lead to in a change of standard deviations in the dependent variable. Thus, a change of one standard deviation in Transparency and Disclosure had 63.70% ($p < 0.01$) change of standard deviations on organization's performance. Since the higher the beta value the greater the effect of the predictor variable on the criterion variable. Therefore, a change of one standard deviation in Transparency and Disclosure had 63.70% ($p < 0.01$) change of standard deviations on organization's performance. Likewise, a 1 standard deviation change on Structure and functioning of the board results a 25.9% ($p < 0.01$) change on organization's performance. And also a 1 standard deviation change on Commitment to Corporate Governance results a 10.9% ($p < 0.01$) change on organization's performance. According to Table 11, commitment to corporate governance, structural and functioning of the board, transparency and disclosure. The regression model was significant and thus reliable for making conclusions and recommendations. The most significant predictor of Effective performance was transparency and disclosure (Beta= 0.637, $t = 8.364$, Sig. = .000) followed by structural and functioning of the board (Beta= 0.259, $t = 3.337$, Sig. = .001) and then commitment to corporate governance (Beta= 0.109, $t = 8.540$, Sig. = 0.000). The findings revealed that commitment to corporate governance, structural and functioning of the board, transparency and disclosure were strong predictors of organizational performance.

Therefore, the following decisions are made on the research Hypotheses:

H1: Organizational transparency and disclosure is among the most contributing factors to effective performance of Habesha Cement S.C is ACCEPTED.

H2: Commitment to corporate governance is among the most contributing factors to effective performance of Habesha Cement S.C is ACCEPTED.

H3: Structure and functioning of the board is among the most contributing factors to effective performance of Habesha Cement S.C is ACCEPTED.

Summary

This chapter analyzed the contribution of corporate governance on organizational performance. The findings indicated that commitment to corporate governance, structural and functioning of the board, transparency and disclosure were strong predictors of organizational performance. This in case a basis for chapter five which presents the summary of the findings, conclusions and recommendations.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The purpose of this study was to identify the practices and describe the role of corporate governance to effective performance. So this chapter provides the discussion of results presented in chapter four and conclusion drawn from the presentation. The chapter presents a short summary of the drive of the study and the research findings, tailed by the set of recommendations, limitations of the study and areas of further research.

5.1 summary of the finding

The study sought to investigate the role of corporate governance characteristics specifically Commitment to corporate governance, Structure and functioning of the board and Transparency and disclosure on effective performance in Habesha Cement S.C. This was carried out by way of unpacking the factor components of corporate governance and subsequently relating them to effective performance. Data was collected by way of interview guide and self-administered questionnaires which were both closed and open ended and the data was analyzed with the use of Statistical Package for Social Scientists; SPSS version 23 which presented results in tabulations of frequencies, correlations and regression analysis. From the findings on the demographic characteristics, the majority of the respondents were male. According to the results, officers were more responsive in comparison with other positions. A significant number of respondents had accumulated experience of over 1 year. The majority of the respondents belonged to the 30-45 years age group and the highest level of education possessed by the majority of the respondents was 1st degree level of education.

The findings on Commitment to corporate governance and effective performance revealed a significant relationship. This is validation that Commitment to corporate governance was paramount in influencing effective performance positively. The correlation findings were also supported by regression analysis results which showed that Participation, Evaluation and Fiscal

compliance was a significant predictor of effective performance. But the company has not demonstrated a commitment to implementing high quality CG policies and practices

Based on the correlational findings on the effect of Structure and functioning of the board and effective performance, a significant relationship was observed. This is confirmation that through Competencies, participation, and Independence, this had a positive effect on organizational performance the correlational results are in line with the regression analysis which revealed that Structure and functioning of the board predicted effective performance Habesha Cement S.C. However the fact doesn't show board of directors is up to the task of overseeing the strategy, management and performance of the company.

From the findings, there was a very strong and statistically significant positive correlation between the transparency and disclosure, and effective performance, a significant relationship was observed. The findings were more supported by the multiple regression results which revealed that the transparency and disclosure determined a change in effective Performance. All relevant documents/reports/statements of the company should be available for access, this had a positive effect on organizational performance the correlational results are in line with the regression analysis which revealed that Transparency and disclosure predicted organizational performance. But The Company's financial disclosures are not a relevant, faithful, and timely representation of its economic transactions and resource. Abor (2007) asserts that Transparency and disclosure may not prime to immediate success, but lack of Transparency and disclosure can lead to a rapid failure of an organization. While increasing Transparency and disclosure means that executive mechanisms operate closer and closer to accurate efficiency, shareholders and stakeholders have more power, the privacy right of corporations slips slowly away.

Administrative Transparency and disclosure is fundamentally about trust. Assuming the information that is transparently provided by a company is accurate, true and non-selective, it is likely that the public will trust a transparent organization from a non-transparent one. According to Batra et.al. (2007), transparent and regular reporting will stimulate sound decision-making, which can improve effective performance and invite additional capital.

5.2 Conclusion

The study attempted to assess the corporate governance practice of Habesha Cement S.C; and made evaluation of the practice against Commercial Code of Ethiopia and OECD principles. In the process, the study basically addressed the research questions, and based on the results and findings, the following major conclusions are drawn.

The findings on objective one revealed that Commitment to corporate governance in relation to effective performance had a positive significant effect on Habesha Cement's S.C. performance. The positive significant relationship between Commitment to corporate governance on effective performance is justification that to promote effectiveness, efficiency and profitability, there was need to have board of directors top and middle level managers and employees appreciate the role of Commitment to corporate governance as this would in turn improve performance.

The findings confirmed that Structure and functioning of the board was a determining factor of Habesha Cement's S.C. performance which is implication that board competences, independence and composition were paramount in promoting Habesha Cement's S.C. performance. As a result this would promote idea generation as a result of board independence which would in turn lead to better and important and timely decision making and thereby better company performance

From the findings, Transparency and disclosure was an integral in promoting the performance of the Habesha Cements S.C. This indicates that when the company provides information that accurate, true and non-selective, this will lead to the public having trust in the organizations, then refining their performance. These defense that Transparency and disclosure was paramount in refining Habesha cement S.C. performance.

5.3 Recommendations

Based on the findings, the existing practices of companies need to ensure and improve their governance in line with OECD principles. To supplement the practice and address its gaps, the corporate governance framework of Habesha Cement S.C. are suggested with the following recommendations.

1. According to the regression analysis results, Commitment to corporate governance was found to be predictor of Habesha performance. Therefore, the management of

- Habesha Cement S.C. should ensure that the generated financial reports are correct, pertinent and reliable so as to enhance decision making at Habesha Cement S.C. which would in turn have a positive effect on the performance of Habesha Cement S.C. This could be recognized through confirming that effective and efficient financial reporting methods are put in place to encourage participation, effective evaluation and obedience to financial policies set by Habesha Cement S.C. as this will have a positive influence on Habesha Cement S.C. Performance.
2. The findings revealed that Structure and functioning of the board was a determinant of Habesha Cement's performance. For this reason, the shareholders and management of Habesha should ensure that the members appointed on the different boards and committees have the required competences, encourage gender balance and are independent at the time of decision making. This could be achieved through talent management by stimulating succession planning, workplace diversity, career guidance, and staff development where Habesha Cement S.C should offer the essential training for staff.
 3. According to the findings, Transparency and disclosure was found to be the major predictor of Habesha Cement performance. Therefore, the management of Habesha Cement should put big emphasis on information access, independent verification and disclosure so as to increase company's performance. This can be passed out through Habesha Cement websites, publications and through electronic media which will have a positive effect on the effectiveness and efficiency of Habesha Cement in the transport of the required services to the public.

5.4. Implication for Future Study

By taking suggestion from other sectors and growing the number of observations through the use of huge sample size and extended year's data and including more external and internal corporate governance variables.

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Questionnaire

This study is being conducted in partial fulfilment to the requirements of the Master's Program in business leadership at the Addis Ababa University, School of Commerce. The study aims to Assess The Role of Corporate Governance for Effective Performance: The Case of Habesha Cement S.C. Addis Ababa Office. As part of the research undertaking, Survey Questionnaire is planned to be administered to a representative number of Executives and non-executives personnel at the Habesha Cement S.C Head Quarter and project office in Addis Ababa. Since you are one of the selected representatives of the organization, you are earnestly requested to participate in the stud by responding to the survey questionnaire. This questionnaire is prepared only for the purpose of gathering information to study corporate governance practices in Ethiopia. It is assured that the data furnished and the identity of the respondents will be kept strictly confidential to the researcher and will only be used for meeting the study objectives.

Thank you for the Consent!

SECTION I: General Information (Please tick in the appropriate option)

1. What is your gender?

Female	1
Male	2

2. What is your age block?

18-29 years	30-45 years	46 years and above
1	2	3

3. How long have you been working at the Habesha Cement S.C.

Less than 1 year	1 – 3 yrs	3 – 5 yrs	5 – 10 yrs	Above 10 yrs
1	2	3	4	5

4. What is the highest level of education you have attained?

Diploma	Degree	Postgraduate Diploma	Masters	Certification/Other (please mention)
1	2	3	4	5

5. What is your level of function?

Shareholder (1)	Top management (2)	Middle Management (3)	Officer (4)
1	2	3	4

SECTION-2 Perception about the Role of Corporate Governance on Effective Performance

Please indicate the extent of your agreement with statements listed below ranging from

1- Strongly Disagree (SD), 2 Disagree (D), 3 Neutral (N), 4-Agree (A), 5- Strongly Agree (SA),

N o.	Corporate governance characteristics	SD	D	N	A	SA
	A. Commitment to corporate governance					
I	General					
1	Company has designated officer to ensure the compliance committee or other appropriate sub -committee of the Board.	1	2	3	4	5
2	The CG code or manual specify the major stakeholders, whose interests must be taken into account.	1	2	3	4	5
3	There is an identified officer of the company tasked with the responsibility of ensuring that the company follows their own CG policy or manual	1	2	3	4	5
4	The CG policy or manual is easily available and familiarized to personnel and staff of the company?	1	2	3	4	5
5	The Corporate governance issues are discussed in the Annual report of the company.	1	2	3	4	5
6	The company has a written corporate governance (CG) policy or manual that deals comprehensively with corporate governance issue.	1	2	3	4	5
II	Participation					
1	There is stakeholder participation during accountability	1	2	3	4	5
2	The degree of participation during the accountability process leads to Compliance	1	2	3	4	5
3	Management provides adequate information when making accountability	1	2	3	4	5
4	Management adheres to accountability procedures set by law	1	2	3	4	5
5	The accountability process is used as a means of assessing resource	1	2	3	4	5

	allocation					
6	The management of Habesha Cement is committed to the accountability process	1	2	3	4	5
III	Evaluation					
1	In Habesha cement, there is resource monitoring	1	2	3	4	5
2	Significant departures from accountability set targets are reported	1	2	3	4	5
3	The availability of monitoring frameworks enhances accountability	1	2	3	4	5
4	Management provides active role and follow up for tracking variances and backlash	1	2	3	4	5
5	There is a clear methodology of tracking accountability	1	2	3	4	5
6	There is identification of the risky areas likely to affect the accountability process	1	2	3	4	5
7	There are well set internal controls practices to check the accountability process	1	2	3	4	5
8	Independent financial reviews are carried out at the company	1	2	3	4	5
IV	Fiscal compliance					
1	The Company adheres to set cement sector policies, rules and regulations	1	2	3	4	5
2	There are effective internal controls used to monitor the operations of Habesha cement.	1	2	3	4	5
3	Staff are aware of the policies, laws and regulations	1	2	3	4	5
	B. Structure and Functioning of the Board					
I	Competencies					
1	I demonstrates self-confidence by getting involved in decision making	1	2	3	4	5
2	Board members possess the required knowledge and skills required to perform their roles	1	2	3	4	5
3	Board members provides mutual support and monitor the operations of the company	1	2	3	4	5
4	Board members have the capability of assessing monetary and financial	1	2	3	4	5

	documents					
5	Board members have the capacity to develop policies and procedures	1	2	3	4	5
6	The management committee of Habesha is competent to handle the operations of the company	1	2	3	4	5
7	The management committee is independent during decision making	1	2	3	4	5
8	Board composition is diversified with regards to skills and competences	1	2	3	4	5
II	Composition					
1	The boards are composed of competent members	1	2	3	4	5
2	During board formation, representation from all stakeholders is considered	1	2	3	4	5
3	The integrity of board members is considered during board formation.	1	2	3	4	5
4	When appointing board member, there is gender balance	1	2	3	4	5
5	During board formation, members' track record is considered	1	2	3	4	5
6	The board co-opts members with expert knowledge and skill in particular fields.	1	2	3	4	5
III	Independence					
1	The board has the mandate to carry out resource allocation	1	2	3	4	5
2	The board takes decisions independently	1	2	3	4	5
3	The board of is autonomous	1	2	3	4	5
4	The board decides on the internal control system to be instituted at the company	1	2	3	4	5
5	The board delegates some of its responsibilities to sub-committees or subordinates	1	2	3	4	5
6	The company publishes meaningful quarterly reports, containing segment reporting as well as results per share, consistent with international accounting standard.	1	2	3	4	5
7	The Board has a sufficient number of independent board members.	1	2	3	4	5
8	The Board dedicate enough time for its responsibilities.	1	2	3	4	5

9	The Board has a written code for the guidance of directors regarding their rights and duties, their prerogatives and responsibilities	1	2	3	4	5
10	There is a Code of Ethics for the entire Company operation	1	2	3	4	5
11	The Board has an Audit Committee, composed of independent directors, that chooses the external auditor, receives reports directly from the external auditor, oversees the work of the internal auditor, and makes sure that audit and Regulator's findings are duly and properly acted upon	1	2	3	4	5
12	The Board has actively functional committees or delegated sub-committees (compliance, nomination, compensation, and risk management).	1	2	3	4	5
13	The Board is provided with all relevant information, within sufficient time for study and analysis, to enable directors to exercise their duties of guiding corporate strategy, monitoring performance and providing oversight to top management.	1	2	3	4	5
14	Board meetings are held according to a regular schedule.	1	2	3	4	5
15	The Board have a performance evaluation system to evaluate its own performance	1	2	3	4	5
	C. Transparency and Disclosure					
I	Transparency					
1	An internationally recognized accounting and auditing system is in place.	1	2	3	4	5
2	The company publishes all public information.”	1	2	3	4	5
3	There is no falsification of information at the company	1	2	3	4	5
4	All relevant documents/reports/statements of the company are available for access	1	2	3	4	5
5	The information provided to the public is complete	1	2	3	4	5
6	Dissemination of company information is done in a timely manner	1	2	3	4	5
7	The company provides regular progress reports about its performance to statutory bodies.	1	2	3	4	5
8	At the company, management ensures that certification of agency records is carried out.	1	2	3	4	5

9	The company's financial statement are authenticated by legal bodies	1	2	3	4	5
10	The company regularly under goes an audit process to verify its performance	1	2	3	4	5
11	During the verification process, issues raised are addressed appropriately.	1	2	3	4	5
12	Proof of company's expenditures and revenue are ascertained by external auditor.	1	2	3	4	5
13	The audit is performed by a recognized national/international firm.	1	2	3	4	5
ii	Disclosure					
1	The Annual Report discusses the company's risk management system.	1	2	3	4	5
2	The company's annual financial statement is published no later than 3 Months.	1	2	3	4	5
3	The company's Annual Report contains information on significant cross shareholdings (say 5% or more).	1	2	3	4	5
4	Conflicts of interest are fully revealed through a clear and well-established mechanism, approved by the regulatory authorities	1	2	3	4	5
5	All financial analysts are treated equally regarding information dissemination and fair disclosure.	1	2	3	4	5
6	This information, along with the financial calendar, is regularly put on the internet.	1	2	3	4	5
7	The company responds to audit queries raised by statutory bodies	1	2	3	4	5
8	The company facilitates understand ability and interpretation of the published information	1	2	3	4	5
9	The information disclosed by the company is a reflection of its performance	1	2	3	4	5
10	Due to the company's level of openness it is trusted by the public	1	2	3	4	5
11	The audited accounts of the company are available for public access	1	2	3	4	5
12	The information provided by the company are error free	1	2	3	4	5

D. Organizational Performance						
1	The company is highly productive.	1	2	3	4	5
2	The company is one of the fastest growing cement factory in the country	1	2	3	4	5
3	The company's sales volumes have been growing for the last 2 years	1	2	3	4	5
4	The company's sales turnover has grown	1	2	3	4	5
5	The company's return on investment has been growing over the years	1	2	3	4	5
6	The asset base of the company has grown	1	2	3	4	5
7	The company competes favorably in the cement industry.	1	2	3	4	5
8	The company's customer base has grown over the years	1	2	3	4	5
9	The profit margins of the company have growth	1	2	3	4	5
10	At the company, the total costs of operation have continued to reduce	1	2	3	4	5

SOURCE: Adapted from Kimaite N., Designing the Corporate Governance and Organizational Performance in Uganda (SEPTEMBER, 2016).

Thank You!!

