The Role of Corporate Governance on Organizational Performance:

The case of Global Insurance Company

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Statement of Declaration

I, Hamdi Yousuf, have carried out independently a research work on the topic **entitled "The role of Corporate Governance on organizational performance: The case of Global Insurance S.C"** in partial fulfillment of the requirement for the Degree of Masters in Business Leadership with the guidance and support of the research advisor. This study is my own work that has not been submitted for any degree or diploma program in this or any other institutions.

Name: Hamdi Yousuf **Signature: ___________________** **Date: _______________________**

Statement of Approval

This is to certify that this report entitled **—** “**Assessment of the Role of Corporate Governance on Organizational Performance: The Case of Global Insurance S.C”** was carried out by Hamdi Yousuf under my supervision and is submitted with my approval for examination.

Name: Wubshet Bekalu (PhD) Signed: ________________________ Date: _________________
Advisor

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Abstract

The purpose of the study is to assess the role of corporate governance has on Organizational performance in Global Insurance S.C. The study adopted a case study design and a sample size of 36 respondents comprising stakeholders was selected using non proportional probability sampling. Data was collected using structured questionnaires and in-depth interviews. The data was analyzed using Microsoft excel and SPSS version 20. The major findings of the study revealed that there are a good and agree level of corporate governance practice In Global Insurance S.C. Thus, there is a significant relationship between commitment to corporate governance, and effective performance and commitment to corporate governance was a predictor of Global 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 Global Insurance 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 organizational performance at Global Insurance S.C. The study recommends, therefore, that management of Global Insurance 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 performance. The stakeholders in the sector should develop strategies in line with the study variable dealings to enhance effective performance in the insurance industry. The strategies will help foster the development and implementation of governance structures which promote profitability, growth, cost reduction and liquidity.

Key words: Corporate Governance, Commitment to Corporate Governance, Structural and Functioning of the Board, Transparency and Disclosure, Global Insurance

Abbreviations

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

This section elaborates the background of the study that is; historical, theoretical, and background of the organization under study.

1.1. Background of the study

Corporate governance is the exercise of power over corporate entities so as to increase the value provided to the organization's various stakeholders, as well as making those stakeholders accountable for acting responsibly with regard to the protection, generation, and distribution of wealth invested in the firm. On the other side, corporate governance is a system of policies, processes and rules that direct and control a business's behavior. It is the framework that defines the relationship between shareholders, management, the Board of Directors and other key stakeholders.

Sir Adrian Cadbury stated that corporate governance is "the system by which companies are directed and controlled" (Cadbury 1992, p. 15). A wider definition was given by the Organization for Economic Cooperation and Development (OECD 2004), which stated that corporate governance was "a set of relationships between a company's management, its board, its shareholders and other stakeholders. It also provides the structure through which the objectives of the corporate are set, and therefore the means of achieving those objectives and monitoring performance are determined."

The topic of corporate governance is a vast subject that enjoys an extended and rich history. It's a subject that comes with managerial accountability, board structure and shareholder rights. The difficulty of governance began with the start of corporations, dating back to the Malay

Archipelago Company, the Hudson's Bay Company, the Levant Company and other major chartered companies during the 16th and 17th centuries. The fashionable practice of corporate governance has its roots within the 17th-century Dutch Republic (Frentrop, Paul: 2003). While the concept of corporate governance has existed for hundreds of years, the name didn't inherit vogue until the 1970s. it had been a term that was only utilized in the us . The balance of power and decision-making between board directors, executives and shareholders has been evolving for hundreds of years. The difficulty has been a hot topic among academic experts, regulators, executives and investors.

In 1961 the Organization for Economic Co-operation and Development was created, with the aim of achieving the very best sustainable growth and contribute to a sound economic and world trade expansion. The federal Securities and Exchange Commission (S.E.C.) brought corporate governance on to the official US reform agenda within the mid-1970s, thanks to the company scandals represented, consistent with a 1976 S.E.C. report, "frustration of the system of corporate accountability". Consequently, concerns about managerial and company accountability rose, making necessary for markets to possess a strong framework of corporate governance rules and regulations that provided investors confidently within the system and entrepreneurs with the incentives to develop their businesses.

Even if corporate governance is taken into account to possess significant implications for the expansion of an economy, considered important means in reducing potential risks for investors, attracting investment capital and improving the performances of companies, however, the way during which the system of corporate governance is run differs among countries counting on the economic, political and social situations that exist within the respective countries.

Since 1960 with the whole problem Ethiopian business companies are regulated by the 1960 Ethiopian Commercial Code. Although, financial sectors are regulated by Commercial Code and national bank Directives, the remaining profit making companies that aren't a part of financial sector are only regulated by 1960 Commercial Code. Actually the Commercial Code of Ethiopia has basic rules on the governance of such companies. However, these rules aren't adequate to safeguard minority also as majority shareholders from undue exploitation.

When we check out the situation in Ethiopia, following the mushrooming of activities to determine corporate businesses, it had been constantly heard about the occurrences of some malpractices possibly emanated due to the gap seen on the commercial code of the country which is inconclusive, not accompany the contemporary business complexities and exacerbated with the absence of institutional set-ups needed to enforce them (Hussein, 2012). Consistent with Minga (2008), the Commercial Code of the 1960 doesn't provide adequate legislative response to the complex governance problems with the time.

Corporate governance has recently gotten much attention due to various world problems and company scandals. Accordingly, there are some efforts of reforming corporate governance in Ethiopia. As an example, 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 three Sectorial Associations (AACCSA) on October 2013 with the name of ―Ethiopian institute of corporate governance (EICG) ‖. Albeit the EICG establishment initiation was taken by AACCSA the member of the institution aren't only the members of AACCSA rather all voluntary individuals, companies and public enterprises throughout the country. Despite the very fact that Ethiopian corporate governance institute have only a few member. Consistent with 4th EICG general assembly report the entire number of the members is merely 148 from these private companies are 100, public enterprises are 29 and individual members are 19. Currently 283 share companies are involved within the country. Though, quite 800 share companies are there and therefore the new entrants to the market are very small. Consistent with trade and industry report from 2008 to 2010 only 11 share companies are entered in to the market.

1.2. Background of the Organization

The research focus is Global Insurance Company (S.C.). Global Insurance Company (S.C.) (GIC) is a Private Insurance Company which was established in March 1997 by 23 founding Shareholders, with a paid-up capital of Birr 3.75 million. Now it has matured to Birr 150.6 Million paid-up and Birr 250 Million authorized capital. GIC has 176 shareholders, as of June 2020; total asset worth over Birr 413 Million and operating in its own building located at Addis Ababa, Gobena Abba Tigu Street (Somale Tera). GIC is currently rendering its general insurance services through its 21 branches and one contact office situated in Addis Ababa and different parts of the country. The company which started its business operation with less than 25 employees has now a total staff of 224 employees. In addition to its core business of general insurance, the company provides modern vehicles inspection service at its own Kality recovery yard, opposite to Kality Sub-City Administration Office and in Harar town.

The company is established with the vision to be the preferred insurance company in Ethiopia by the year 2023. And has a mission of Providing financial protection and peace of mind for their customers through diligent underwriting and claims services by using business friendly solutions and up-to-date technologies, maximize company’s wealth by engaging in diversified businesses and investments through optimizing resources. The core values the company led by are; commitment to mission, high value to employees, learning organization, team work and integrity.

1.3. Statement of the Problem

Different studies show that one among the various challenges the business world is facing currently is installing sound and proper corporate governance system in a corporation. This might cause irreversible bankruptcies if not managed and addressed properly and timely. The messing from big international organizations like WorldCom had provided concrete and dear lesson to the business world. The OECD principles on board responsibilities state that the corporate governance framework should make sure the strategic guidance of the company, the effective monitoring of management by the board, and therefore the reform the board's accountability to the corporate and the shareholders.

Thus, good corporate governance is a fundamental necessity to stay on running a firm successfully. It has long been played an important role for enhancing the long-term value of stakeholders within the business environment. Good corporate governance also fosters a culture of integrity and results in a positive performing and sustainable business. Good governance signals to the market that a corporation is well managed which the interests of management are aligned with other stakeholders. As such, it can provide businesses with a competitive advantage, future financial profits and well performance.

The Board of Directors plays a crucial role within the event of corporate governance policies and for the overall organization's success. Shareholders also play an important role in governance as they need to form sure the right directors are appointed to their Board. Hence, this research focuses on assessing the role of corporate governance has on organizational performance. Insurance Companies represent a big and influential sector of business and play crucial role within the global economy. Since these companies are complex institutions and should require employees with specialized skills (Philippon & Reshef, 2012), selecting the proper executives could give them a big competitive edge also as contribute to the expansion of the economy.

Insurance business could also be a pool mobilization point where an individual that's faced with loss thanks to accident may be compensated from that pool. By so doing this, the economy of 1 person ultimately that of a rustic, get balanced. Therefore, insurance companies play a big role in stabilizing the economy of a nation. This happens when the businesses are running smoothly especially in terms of governance. The practices of corporate governance are usually challenged. With these issues in sight, it's important to undertake a study on the extent of practice of corporate governance in an insurance firm.

Global Insurance S.C. measured in financial term it looks good as it is shown in their annual report journals. However, As the detailed discussion of the researcher‘s review of the literature suggested, there are quite a number of issues and challenges like duty of care, duty of loyalty, duty of obedience, setting strategic vision, overseeing over all organizational activity, composition of dependent and independent board members 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 therefore the company and its shareholders haven't demonstrated a commitment to implementing top quality corporate governance policies and practices. Limited structure and functioning of the Board of Directors and it showed the Board of directors isn't up to the task of overseeing the strategy, management and performance of the corporate. And Lack of transparency and disclosure problem also are significant.

1.4. Research Objectives

1.4.1 General Objective

The main objective of this research is to assess and explore the role of corporate governance on the performance effectiveness in: Global Insurance S.C.

1.4.2 Specific Objectives

1. To explain Corporate governance practices of Global Insurance S.C.

2. To explain the level of Performance with regard to corporate governance in Insurance S.C.

3. To explore the relationship between corporate governance and performance in Global Insurance S.C.

4. To explore the role and effect of corporate governance on the performance of Global Insurance 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 practice of Corporate Governance in Global Insurance S.C?

ii) What is the level of Performance of Global Insurance S.C?

iii) What is the relationship between Corporate Governance and performance in Global Insurance S.C?

IV) What is the effect of Corporate Governance on Performance in Global Insurance S.C?

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 as an integrated input both to government organ and therefore the company the research is completed. It's going to contribute initial information to other scholars and people sectors that have research constraint. The results of this study will contribute to Global Insurance S.C 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 and exploring the role of corporate governance on company's performance effectiveness by assessing evidence from Global Insurance S.C. for the period of three years, from 2017 to 2019/20. the rationale for using this range of period is that to point out only a year performance won't give the complete picture of the board's governance performance for we only know a glimpse of the board's activity. This study intends to point out the opposite perspective on corporate governance issues that aren't covered by other researcher and therefore the sectors also. 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 that the recent concept basically in Ethiopia. Thus, the researcher couldn't find sufficient empirical data on the world and therefore the institution of corporate governance also new. So it couldn't provide proper information and therefore the researcher also cannot include the others sector perspective aside from one insurance firm.

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 Global Insurance S.C 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 Global Insurance S.C to carry out its operations.

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

2. Review of Related Literature

2.1 Definition of Corporate Governance

Various writers have provided numerous definitions for corporate governance, despite the very fact that there's no commonly accepted, watertight definition. Some definitions have something in common like (Wheelen: 2006) Corporate governance is defined because the relationship among shareholders, board of directors and therefore the top management in determining the direction and performance of the corporation. Additionally, (Shleifer: 1997) stated that corporate governance because the way during which contributors of the fund to share companies assure themselves of getting a return on their investment. (Melvin: 2005) mentioned the concept as pertaining to corporate deciding and control, particularly the structure of the board and its working procedures. Likewise, the OECD principles (2005) defined corporate governance as involving a group of relationships between a company's management, its board, its shareholders, and therefore the other stakeholders. Consistent with 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 that the system by which companies are directed and controlled.‖ It encompasses a spread of issues, starting from shareholder rights to a company‗s internal decision-making processes and control systems.

Corporate governance is that the process of supervision and control intended to make sure that the company‗s management acts in accordance with the interests of shareholders (Parkinson, 1994). Thus, corporate governance refers to how a corporation's power is employed to its whole portfolio of assets and resources with the goal of sustaining and increasing shareholder value also because the satisfaction of other stakeholders within the context of its corporate mission. 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 realize 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 overall welfare of the society and will be of concern to the overall 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.

2.2. Corporate Governance in Ethiopia

As mentioned in earlier chapter, corporate governance in its formal and proper way was formed within the paired of Menelik II regime. However, the then small and few firms were within the hand of foreigners, whose residence was within the Empire. The primary Private Share Company in Ethiopia was, although, established within the name of agricultural and commercial development company of Ethiopia in 1909. The corporate was established by Imperial Proclamation and therefore the creators who signed the memorandum of association were the Emperor, the empress and other five officials of the emperor. The primary Ethiopian Company law was introduced in 1933 and therefore the 1909 articles of association had delivered significant contribution for the event this company law (Pankhurst 1963).

However, currently we discover that Ethiopia's large businesses are often easily classified into three groups of enterprises. they're State owned enterprises (SOEs), party owned and controlled companies and family owned and controlled private limited companies (Plcs). In other words, apart from only a few share companies like insurance and banking sector, Ethiopia doesn't have much private corporations.

Even if the gap within the commercial code is understood and therefore the process of revising the prevailing commercial code is under process, currently there are variety of companies that are being established through the sales of shares to the broader public (Addis Fortune, 2011). Hence the emergence of publicly held share companies in Ethiopia gave rise to a mess of issues on corporate governance (Tewodros, 2011).
On point of that, Studies conducted within the area of corporate governance within the context of Ethiopia have a good professional range basically focused on the adequacy of legal framework instead of evaluating the practice of corporate governance principles and best practices. Most of the papers reviewed for this study affect adequacy of legislative provisions on governance issues associated with the separation of ownership and management responsibilities on the composition, independence and remuneration of board of directors in share companies (Tura, 2012), and also on the general corporate governance standard adequacy by identifying various factors like limited legislative framework, inadequate shareholders protection law and ineffective judiciary , absence of an organized share market and discrimination on implementations of regulatory framework on Insurance Companies (Ayele, 2013).

Due to its legal formation, insurance companies are seemed to be susceptible to agency cost within the context of Ethiopia during which shareholders haven't any control of their investment on a day to day . There could also be challenges within the sector in terms of adhering to corporate governance rules and international best practices. in several magazines circulated within the country, concerns of malpractices within the industry are observed and becoming public concern in previous also as in recent period. There are instances where a number of these institutions are linked with major breaches of the principles and regulations when it involves conflict of interest and unethical business conduct.

2.3 Theoretical Perspectives of Corporate Governance

Literatures disclose about the existence of wide sorts of corporate governance theories that has been developed with reference to the character and significance of corporate governance. These, among others include agency theory, stewardship theory, stakeholder theory, resource dependency theory, agreement theory and legitimacy theory as described within the subsequent paragraphs. Out of those theories, we shall draw concepts relevant for this study like the accountability of board of directors and company reporting (disclosure) practices that are assumed to possess effects on the performance of corporate entities respectively.

2.3.1 Agency Theory

Much of the research in corporate governance derives from agency theory. Since the first work of Berle and Means (1932), corporate governance has focused upon the separation of ownership and controls which ends up in principal-agent problems arising from the dispersed ownership within the modern corporation. This theory viewed corporate governance as a mechanism where a board of directors is an important monitor to attenuate the issues caused by the principal-agent relationship. During this context, agents are the managers, principals are the owners and therefore the board of directors acts as monitoring mechanism (Mallin 2004). The main target of agency theory is on the principal and agent relationship (for example shareholders and company managers) which created uncertainty, thanks to various information asymmetries (Deegan 2004). Hence a monitoring mechanism is meant so on protect the interests of shareholders (Jensen & Meckling, 1976).

2.3.2 Stewardship Theory

Compared to agency theory, stewardship theory presents a special model of management, where managers are considered nearly as good stewards who will act within the best interest of the owners (Donaldson & Davis 1991). The steward's behavior is pro-organizational and collectivistic, and therefore the steward's behavior won't depart from the interest of the organization (Davis, Schoorman & Donaldson 1997). Thus the main target of stewardship theory is on structures that facilitate and empower instead of monitor and control (Ibid). Therefore stewardship theory takes a more relaxed view and also supports appointment of one person for the position of chairman and CEO and a majority of specialist executive directors instead of non-executive directors (Clarke 2004). Hence, consistent with this theory, the necessity for board of director is to advice and support management instead of to discipline and monitoring of management, a view which entirely opposes with the agency theory.

2.7.3 Stakeholder Theory

Unlike the agency theory, the stakeholder theorists argue that instead of running the firm to primarily maximize the wealth of shareholders, the firm should equally serve the interests of a wider stakeholder group (Freeman and Reed 1983, Hummels, 1998, Freeman 1984). And a stakeholder has relevancy if their investment, in some form, is subject to risk from the activities of the organization (Clarkson 1995). Consistent with Ansoff (1965), a firm's objective might be achieved through balancing the conflicting interests of the varied stakeholders. Corporate governance systems are during a state of transition thanks to internationalization of capital markets, leading to convergence of the shareholder value-based approach to corporate governance and therefore the stakeholder concept of corporate governance towards sustainable business systems (Clarke 1998, Smallman 2004). Therefore, a narrow specialize in shareholders has undergone a change and is predicted to require under consideration a broader group of stakeholders like those interest groups linked to social, environmental and ethical considerations (Donaldson & Preston 1995; Freeman 1984; Freeman, Wicks & Parmar 2004). On the opposite hand critiques that specialise in stakeholder theory identify the matter of who constitutes genuine stakeholders. One argument is that meeting stakeholder's interest also exposes a path for corruption, because it offers agents the chance to divert the wealth far away from the shareholders to others (Smallman, 2004).

2.7.4 Resource Dependency Theory

Lawrence and Lorsch (1967) link the resource dependency theory to corporate governance. They state that successful organizations possess internal structures that match environmental demand; Pfeffers (1972) also argued that both board size and composition may be a rational organizational response to the conditions of the external environment. Furthermore, directors may serve to attach the external resources with the firm to beat uncertainty (Hillman et al.2000, Gales & Kesner 1994), because coping effectively with uncertainty is important for the survival of the corporate . Hence during this theory, diversity of corporate board members has been found to be a crucial element since it can cause broader corporate networks and improve financial performance, (Waddock and Graves, 1997).

2.7.5 Social Contract Theory

Social contract theory considered society as a series of social contracts between members of society and society itself (Gray, Owen & Adams 1996). There's a school of thought which sees social responsibility as a contractual obligation the firm owes to society (Donaldson 1983). Integrated agreement theory was developed by Donaldson and Dunfee (1999) as how for managers to form ethical deciding, which refers to macro-social and micro-social contracts. The previous refers to the communities and therefore the expectation from the business to supply support to the area people, and therefore the latter refers to a selected sort of involvement.

2.7.6 Legitimacy Theory

Legitimacy theory is defined as a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate with some socially constructed systems of norms, values, beliefs and definitions (Suchman, 1995).Similar to agreement theory, legitimacy theory is predicated upon the notion that there's a agreement between the society and a corporation . A firm receives permission to work from the society and is ultimately accountable to the society for a way it operates and what it does, because society provides corporations the authority to have and use natural resources and to rent employees (Deegan, 2004). generally there also exist theories of corporate governance like institutional theory, economics theory et al. except for the aim of constructing the conceptual framework of this study the study shall absorb to account and apply a couple of the above mentioned theories that have relevance with the aim of this research.

2.4 Role and key Characteristics of Corporate Governance

Corporate governance mechanisms are acknowledged as an important tools needed in managing any corporation. There are various ways in which decrease agency problem whereby corporate governance are often measured in a corporation. Within the corporate governance literature Board Composition (board size, board gender diversity and academic 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 a crucial corporate governance mechanism (Aljifriand Moustafa, 2007). the many role of boards is to act as an indoor governance mechanisms and monitoring of management (Shleifer and Vishny, 1997). An operative board is probably going to assist the firm accomplish better performance by effectively undertaking their watching duties (Bathula, 2008).

The effectiveness of the board is influenced by factors like board composition and quality, size of board, board diversity, board committee effectiveness like audit committee and knowledge asymmetries ultimately this affects the board oversight performance (Uadiale, 2010). Boards of director are the guts 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).

The principles of corporate governance place an important responsibility on company boards, albeit in practice, many boards don't take this responsibility seriously. the standard of a corporation can often be judged by its vigilant and quality of the board. The board of directors (BODs) plays the pivotal role in any system of corporate governance. it's accountable to the stakeholders and directs and controls the management. It stewards the corporate , sets its strategic aim and financial goals, and oversees their implementation, puts in situ adequate internal controls and periodically reports the activities and progress of the corporate during a transparent manner to the stakeholders. (Nam: 2004) suggests some aspects that ought to worry within the internal mechanism of corporate governance, including its independency and structure, function and activity, compensation and other relevant responsibilities of BODs.

There is a relationship between proportion of independent board composition and firm performance. This issue is essentially built round the agency theory and addresses the role of the board in shielding shareholders from manager’s self-interest (Fama: 1983). Independent directors with no personal or professional relationship to the firm or firm management are simpler in protecting shareholders‟ interest, leading to higher performance (Dalton: 1998). Moreover, determining the structure and level of compensation of top executives of the firm is among the task of the board of director.

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 aren't well advanced as an efficient external control mechanism and when the shareholders aren't well sheltered thanks to weak system and law enforcement, the character of the board of director becomes highly important as an indoor control mechanism (Gonz´alez and Garay, 2003).

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

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 blend of skills, suitable board procedures are in situ, Director Remunerations are in line with best practices and Board self-evaluation and training are conducted.

Appropriate control environment means; companies should have the subsequent quality; Risk management framework/structure is present, Independent audit committee established, control procedures are in situ, internal audit function is in situ, 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 consistent with International Financial, High-quality annual report is published and Web-based disclosure and investor site is in situ. And what does it mean Shareholder Rights? It means that; Minority shareholder rights are formalized and guarded , General Assembly meetings are conducted and are well structured, Related party transactions policies are in situ , Unexpected transactions polices are in situ , Dividend policies are precise and clearly defined.

Benefits of corporate governance consistent with IFC are often divided into four parts; (1) Checks & Balances Framework, which suggests 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 kinds of stakeholders. (3) Clarity & Transparency; Promotes clarity and transparency, which is vital to investors and other capital providers. (4) Facilitate Access to Capital; Facilitates your company‘s access to capital, since good corporate governance is vital to both equity and debt investors.

Corporate governance is pertinent to companies of any size and in any market. In fact, good corporate governance features a number of in depth benefits. Good governance results in variety 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.

2.5 Performance

The final goal of a business is bigger 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). Performance is generally indicated by effectiveness, efficiency, satisfaction of consumers and employees, innovation, quality of services or products, and skill to sustain a singular human pool. The effective performance variables of the present-day study comprised features like product quality, customer satisfaction, new development, ability to draw in employees, ability to retain employees, and relationship between employees and management. Consistent with Kaplan and Norton (1993), effective performance means the change of inputs into outputs for attaining certain outcomes. With reference 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).

Efficiency is defined as a term experienced by organization or firm to use people and resources to hold out significant operations during a way which minimizes the prices . When the resources are utilized in a correct way as compared to the competitors, the value of operation will decrease and therefore the margin of profit will increase. Efficiency is vital 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 workers (Joseph and Dai, 2009). Most organizations view their performance in terms of effectiveness in achieving their mission, purpose or goals. Most public organizations, for instance, would tend to link the larger notion of effective performance o the results of their particular programs to enhance the lives of a mark group (Katou and Budwar, 2007). At an equivalent time, a majority of organizations also see their performance in terms of their efficiency in found out resources. This relates to the optimum use of resources to get the results desired.

There are many measures of firm performance. Financial and non-financial measures of firm performance utilized in inquiry on corporate governance. Financial measures fit into both accounting-based measures and market based measures (Kiel & Nicholson 2003). Most ordinarily used accounting based-measures are return on assets (ROA) (Kiel & Nicholson 2003) and return on equity (ROE) (Baysinger & Butler 1985). The foremost commonly used market based measures are market to value ratio and Tobin‟s Q (Barnhart, Marr & Rosenstein 1994).

As for Non-financial measures Kaplan and Norton (1992) clarify balanced scorecard methodology as a comprehensive approach that analyzes an organization's general performance in four techniques, supported the thought that measuring performance through financial returns only provides information about how well the organization did before the valuation, in order that future performance are often anticipated and proper actions taken to make the favorite future.

The methodology examines performance in four areas: analysis in terms of procurement is that the most traditionally used performance indicator, which incorporates assessments of measures like 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 take advantage of current products and following indicators for future productivity; and last , learning and growth analysis discovers the success of management in terms of measures of employee satisfaction and retention and knowledge 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.

There is much debate regarding the foremost reliable measures. However, during a meta-analytic review of corporate governance literature there appears to be no consensus regarding the efficacy and about reliability of 1 measure over another (Dalton et al. 1998).

However this study basically uses non-financial measures alongside one accounting-based measure of performance the Return on Assets (ROA) as an indicator and supportive variables for the non-financial measures. In following pages conventional measures and Return on Asset (ROA) are going to be discussed briefly.

2.6 Non-Financial 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).

2.6.1 Commitment to Corporate Governance and Structural and Functioning of the board

2.6.1.1 Board Size

According to Marte (2010), the dimensions of board are taken into account to be crucial characteristics of board structure. And there are two opposing ideas on the connection 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 like 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 reconsideration reasoned that an outsized board size will increase the firm performance. Board size may be a determinant of the power of directors to watch and control manager. Adam and Mehran argued that the corporate should have an outsized board size to be ready to monitor effectually Adam and Mehran (2002). Large board size will backing a simpler management of the corporate Klein (1998). Large board size is going to be easier to get information Dalton, et al. (1999).

In general there's no universally acceptable or defined board size and it's contingent organization, culture country context which suggests that in some situation large size of board of directors are important in other situations the reverse is workable.

2.6.1.2 Board Composition

Board composition refers to, as an example, the amount of independent non-executive directors on the board relative to the entire size of directors (note that there could be other elements to be considered depending abreast of the respective country's governance requirement). An independent non-executive director is independent director who has no affiliation with the firm apart from their directorship (Clifford and Evans 1997). The argument for the board composition is that the talents and therefore the knowledge domain they're going to bring back the firm are of importance to firm performance (Bonn, Yoshikawa & Phan 2004).

Some studies found that there's a positive link between firm performance and board composition. Lee et al. (1992), Rosentein and Wyatt (1990) state that boards dominated by independent outside directors are related to substantially higher abnormal returns (Barnhart, Marr & Rosenstein 1994; Daily & Dalton 1992; Schellenger, Wood & Tashakori 1989, Pfeffer 1972, Valenti et al, 2011).

Alternatively, there also are studies which show a negative relationship between the proportion of out of doors directors and company performance (Bhagat & Black 1998, Weir and Lang, 2001).

On the opposite hand other studies suggest that there's no link between outside independent directors and firm performance. as an example , MacAvoyet el. (1983) didn't find any support for the hypothesis that a board's composition affects firm performance. The studies made by Fosberg (1989) and Molz (1988) also show similar results.

In general regarding the connection between board composition and firm performance, as witnessed from the reviews of varied empirical evidences, show mixed results.

2.6.1.3 Board Gender Diversity

Gender diversity is one among the constructive contributing factors of company's effective performance. Boards are concerned with having precise composition to supply diverse perspectives. Greater female representation on boards arrange for a few additional skills and perspectives which will not be imaginable with all-male boards (Boyle and Jane, 2011). Board diversity is support to offer better decision when the knowledge or experience have need of from gender sides. It's supported by different theoretical views: Agency theory is especially concerned about monitoring role of directors. Representation from various groups will provide a well-adjusted board in order that no individual or group of people can dictate the decision-making of the board (Erhardt et al., 2003). Consistent with 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 may be a strategic resource, which provides a reference to various external resources (Walt and Ingley, 2003). This is often facilitated by board diversity. On the opposite hand, Rose (2007) revealed minor association between number of girls' directors on the board and firm performance. Though, many scholars now believe that a rise in board diversity results in better boards and governance on the bottom that diversity permits boards to tap on broader talent pools for the role of directors (Bathula, 2008).

2.6.1.4 CEO/Chair Duality

If the firm CEO is additionally 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. because the agency theory know the important of board it's the rationale to bridge the gap of the interest of the shareholders (owners) and therefore the management. Despite the very fact that the Commercial Code of Ethiopia seat that ―Only members of a corporation may manage the company‖, While the Draft Commercial Code provides that ―A Company shall be managed by a board of directors and less than one third of the administrators Hussein (2012).

2.6.1.5 Qualification of Directors

In examining board membership, one should think through the subsequent factors: the talents and characteristics of the administrators: the administrators ‘thoughtful and commitment to the twin mission of monetary security and social performance of the microfinance institution the directors ‘ability and readiness to satisfy their Duties of Care and Loyalty, the event of the board. Directors should have the required skills and knowledge to feature to the work of the Board of Directors. The board also should have the subsequent personal characteristics to accomplish good corporate governance, such us good leadership quality, Accountability, Integrity, Maturity and good Work Ethics. And also proven Industry Experience, Business Judgment quality and special skills, like for; Finance and Accounting, Risk Management and control , or Strategic Management. Educational qualification affects the oversight and monitoring role of boards of directors (Gantenbein and Volonte, 2011).

2.6.1.6 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's relevant and credible to all or any stakeholders M. Beasley (1996). The existence of audit committee independence is in a position to supply trustworthy accounting information, so audit committee independence is predicted to enhance the company's performance. Brown and Caylor (2004) bring into being that independent audit committee positively associated with dividend yield.

The 1999 cordon bleu Committee Report recommends that audit committee, as overseer of monetary accounting processes; conduct meetings a minimum of fourfold a year so as to warranty the standard of monetary reporting cordon bleu (1999). If audit committee size and audit board meeting frequency can improve financial accounting process, it's expected that audit committee size and meetings frequency can improve firm performance. Kyereboah-Coleman (2007) describe that size of the audit committee might be a sign of the importance attached to problems with 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 related to positive firm performance.

2.6.1.7 Meeting Frequency of Board

It means what proportion time is that the board has encounter during a year. For the board of directors successfully perform its oversight function and monitor management performance, the board must fix a daily meeting. Measuring the strength and effectiveness of corporate monitoring and discharging is that the frequency of board meetings (Jensen, 1993).

2.6.2 Transparency and disclosure

Disclosure and Transparency in information are critical and key player in corporate governance as this is often used as a tool to disseminate information to all or any stakeholders. The contents of a transparency and disclosure rule are those having the character of both financial and non-financial information. Disclosure of data is supposed to stop the monopolization of data and expanded investment requirements. the most aim of corporate disclosure is to speak firm performance and governance to outside investors (Haely and Palepu, 2001), to those stakeholders who have a lively interest within the organization (Zairi & Letza 1994), to supply the society-at-large with information about the extent to which the organization has met the responsibilities imposed upon it (Gary, Owen & Maunders 1991).

According to the Ethiopian Commercial Code the administrators liable for the preparation of monetary statements, including consolidated financial statements for group of companies and for confirming that an audit of the financial statements is on a daily basis conducted. Likewise, Art 362 of the Code have need of board of directors to carry onto accounts and books; submit the accounts of the auditors and an annual report of the company's processes including a budget 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.

2.6.3 ROA

Return on assets (ROA) is additionally a measure of performance widely utilized in the governance literature for accounting-based measures (Finkelstein & D'Aveni 1994; Kiel & Nicholson 2003; Weir & Laing 2001). it's a measure which assesses the efficiency of assets employed (Bonn, Yoshikawa & Phan 2004) and shows to investors the earnings the firm has generated from its investment in capital assets (Epps & Cereola 2008).

Efficient use of a firm's assets is best reflected by its rate of return on its assets. ROA is an indicator of performance which is calculated as after taxation divided by total assets (Finkelstein & D'Aveni 1994). Since managers are liable for the operation of the business and utilization of the firm's assets, ROA may be a measure that permits users to assess how well a firm's corporate governance system is functioning in securing and motivating efficiency of the firm's management (Epps & Cereola 2008).

2.7 Empirical Studies in Ethiopia

In Asnakech, (2013) studied title about the Revisiting the Ethiopian Bank Corporate Governance System: A Glimpse of the Operation of personal Banks. She observed the political involvement, less technology adaptation which isn't supported the present situation and fewer attention for shareholders protection. The researcher raise a questions the impact of the 2 major aspects of corporate governance, namely, ownership structure and board structure on bank performance. She mentioned the issues that Ethiopian banks are faced such as; Absence of Share Market, mixture of Politics and Business, Inadequate Shareholder Protection Laws, Ineffective Court System and therefore the researcher assed the national bank regulation criteria and company governance Mechanisms and Bank Performance consistent with Ownership structure, Board Structure supported these criteria the researcher is concluded by the intervention of state , and therefore the banking industry is characterized by a poor competitive environment. And this poor competitive environment is concerned; banks offers higher rate of interest and therefore the private banking industry in Ethiopia is characterized by an inadequate risk management system. So, the researcher suggested that international standards and codes of best practice got to be adopted within the Ethiopian corporate sector Asnakech, (2013).

Solomon (2018) assessed Corporate Governance Practices in Ethiopian insurance firm by taking four insurance companies as case study. the target of the study was to assess level of corporate governance practice in Insurance industry supported of commercial 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 features a good corporate governance foundation due to it's strong regulatory organ. However the researcher‘s don't believe the finding that mentioned is that the only reason because there could be one more reason like number of insurance companies are very small so this could 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 low in reference 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 therefore the refore the refore the researcher believed that corporate governance and company management should be separate and the board should have truly composed of non-executive and truly independent and the director‘s remuneration should be supported the result. and therefore the researcher some suggestion to the country to follow international best practice and to possess a board a core of fantastic , professionally qualified non-executive directors who understand their dual role of appreciating the problems suggests by management and honestly discharging their fiduciary responsibilities towards the company‘s shareholders also as creditors. And therefore the final suggestion to the Ethiopia legal drafting body is to offer 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 therefore the study has tested using hypotheses analysis. Quantitative and qualitative technics has employed. the info has used from primary and secondary resources and analyzed by using both descriptive and inferential statistics model and financial performance depends variables by used ROA to live the performance and board Members ‘industry experience, board size, board gender diversity, board members educational qualification, size of audit committee and frequency of committee meeting are used as independent variables. The study included bank size and firm age as controlling variables. The researcher measures the dimensions of the board by hypothesized the amount of directors serving on such boards and by expecting to possess a negative relationship with firm performance. The multivariate analysis technic has wont to empirically test.

According to the finding the argument that a rise in board size, Audit Committee size and Meeting Frequency would results in less effective and efficiency and monitoring of the activities of management. And Board Members Educational Qualification, Industry Specific Experience of Directors and Effect of latest corporate governance Directive have positively affected financial performance to Ethiopian commercial banks. But because 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 very fact that some previous studies document a positive and insignificant effect of the role of girls on boards and find that ladies enhance the standard of deciding and firm performance specially half the populations are women in Ethiopia and that they have more network they're critical thinker and that they more customers caring ability than men Ferede (2012).

In addition to the above reviewed empirical researches another scholars are conducted their research on the world of corporate governance in Ethiopia. Of the few Master‘s thesis projects that are available on line and a few are found in library and reviewed to the present study the researcher is observed the focused sectors of the litterateurs. supported the researcher‘s literature review 90% of the researches are focused on 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 world but the one thing those researchers are missed is it‘s not the sole the unique nature of the financial sectors problem but it‘s also the matter of other sectors. Because the financial sector possesses attention the government has assign regulatory body to manage 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 his problems. But this is often a known fact these sectors have a big contributions within the country‘s economy on providing large size of job opportunity and it‘s also known that shear businesses have a capacity to boost huge capital that couldn‘t afford to take care of by individuals. Consistent with the ministry of trade and industry report; they observed that there has been a drag in various issues and that they began to take an action by drafting regulatory mechanisms because the 1960 commercial code doesn‘t give them any right to require corrective measures instead of negotiator. Therefore the researcher assumes the issues that are identified by the government organs and a few scholars are in need of an answer.

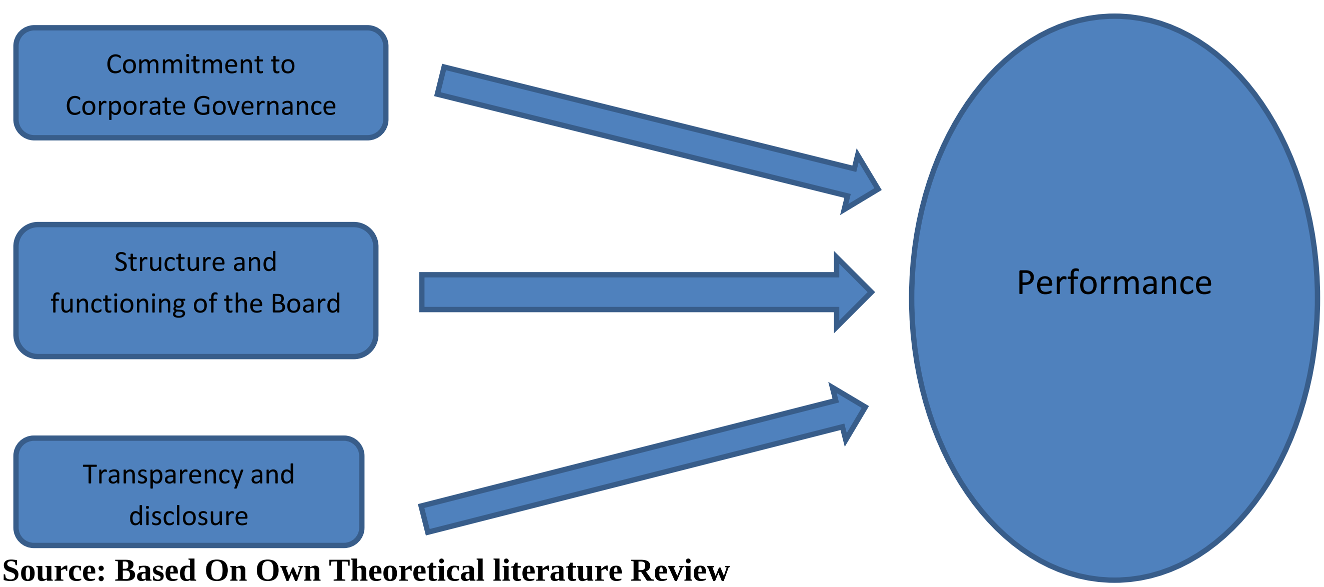
Therefore this research is concentrated on non-financial sector because the researcher assume non-financial also play vital role within the global also as on local economy and also they're going to have their own unique nature because when non-financial sector operating capacity increases the depositors or saving capacity will increase and therefore the banking activity also will increase if not the bank activity will decrease and there's many activity which will affect directly or indirectly. So all non-financial sector will need strict regulation. Therefore the aim of this research is exploring 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 point out the non-financial sectors perspective and profile by conducting his research beyond the boundary of the financial sector and taking Global Insurance S.C and explore the role of corporate governance on the effect of company performance. Therefore, this research work intends to fill the knowledge gap within 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 within the case of worldwide Insurance S.C.

2.8 Conceptual Framework

Conceptual framework of the research, depicted in figure-1 below, is developed supported the review of pertinent theoretical literatures. Accordingly, company effective performance–the variable during a given context or organization is decided by variety of things [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. intrinsically the research will attempt to explain how the independent variables affect the variable . Further analysis are going to be made against corporate governance characteristics to ascertain if there's variation within the survey results across the variables.

Figure 1: Conceptual Framework of the study

Independent Variables Dependent Variable



Source: Based On Own Theoretical literature Review

Chapter Three

3. Research Methodology

3.1 Description of the Study Area

This study will be carried out in Global Insurance S.C. The company has Birr 150.6 paid-up capital and worth of Birr 250 million authorized capital as of data of June 2020. According to its internal published journal currently there are rendering their insurance service through 21 branches and one contact office situated at Addis Ababa and different parts of the country. The company which started its business operation with less than 25 employees has now a total of 224 employees.

3.2 Research Design and Research Approach

The research uses combination of exploratory and descriptive study types. The exploratory aspect explores corporate governance principles being practiced in an organization taking Global Insurance 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.

The research followed both quantitative and descriptive research approach. Thus, the research a survey research which employ quantitative data collection, analysis and descriptive approach. Structured questioner will be employed to generate the quantitative information relevant to answering the research question. In addition the SPSS software version 20 will be employed in testing the hypotheses by way of describing the directional relationship between the key organizational study variables i.e. 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 total number of all stakeholders and employees of Global Insurance S.C. represents the total population of this study. The study focuses on all employees from one contact or Head office and other 21 branch offices. Currently, there are about 224 permanent workers, among them 178 Male employees and the rest 76 Female. Besides, 10 board of directors, 10 executive management members, 21 chief executive committees and 176 external shareholders.

3.3.1 Sample Size determination

Malhortra and Peterson (2006) and Zikmund (2003) stated that, the larger the sampling size of a research, the more accurate the data generated. However, due to time and financial limitations and the nature of the population, sample determination method will develop by Carvalho (1984) was preferred to be used by researcher as a method to determine a sample size.

Table 1: Carvalho's Sample Size Determination

Population size	Small	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
3201-10,000	80	200	315
10,001-35,000	125	315	500
35,001-150,000	200	500	800

Source: Carvalho (1984)

As mentioned above total numbers of Global Insurance S.C employees are 224. Thus, the study population of 224 falls under the class –mark of 281-500. The sample size recommended for this population ranges from the minimum of 12 to the maximum of 50. Thus, the medium size of 32 was considered as sufficiently representative. Then, additional 3.2/4 or 10% of the sample size was included, to avoid the risk of non-response rate. This added-up to 36, which is the final sample size of the study as per Carvalho's sample size determination method.

3.3.2 Sampling Technique

For the purpose of this study, the researcher used probability sampling particularly non-proportional stratified sampling technique. The target population for the study will be classified into strata's t based on Major and minor shareholders, non-shareholders, independent and non-independent board members, Executive management, Chief executive officers, department executives, audit committee and other relatives (here in employees). Then the samples were selected from each stratum according to their proportion to the total population.

3.4 Data Source and Method of Collection

The researcher explores and employs appropriate data gathering techniques and instruments to generate both quantitative and qualitative data.

3.4.1 Type and Sources of Data

The study was conducted using primary and secondary data. Quantitative data concerning board structure and corporate reporting are collected using a simple questionnaire designed for the purpose. While Qualitative data related to performance 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 journals of Global S.C. and others from Websites.

3.4.2 Data collection Methods

The researcher was purposively selected individuals who are among the boards, the senior executive organ and management committee of the Global Insurance. Accordingly, around six persons was selected that include the executive director, vice-chair person of the board of directors, chief executive officer, finance manager, subordinate level managers for human resource development and audit committee members as well as a senior representative of the staff and distributed a questionnaire designed for this purpose and adjusted for all variables/research questions and hypothesis.

3.5 Method of 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 will be 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 will involve 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 will be employed. This will help 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 will substantiate 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.

3.6 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.

Chapter Four

4. Data Presentation, Analysis and Interpretation

4.1 Introduction

This chapter shall focus on the analysis of the practice, relationship and effect of corporate governance on the performance the case of Global Insurance Company based on the results obtained from planned questionnaire, document review and interview. Self-complete questionnaire were distributed to four executive managers and other respondent‘s interview questions were received back. Among the total 36 number of respondents, all 36 of questionnaire were completed and sent via Google format. This amounts to 100 % of response rate. Based on the data collected from the survey participants, the data was entered and analyzed using IBM SPSS version 20 statistical package using mainly Pearson’s correlation and Multiple Regression analysis in addition to descriptive statistics.

4.2 Demographic Background of the Respondents

Before starting analysis of the data, some background information such as demographic data is useful to make the analysis more meaningful for the readers. The samples of this study have been classified according to several background information collected during the survey. Accordingly, the subsequent variables about the respondents were summarized and described within the following table. These variables include gender, age, level of education, level of experience and level of function.

Table 2: Demographic profile of Respondents

Gender	Frequency	Percent	Cumulative Percent
Female	18	50	50
Male	18	50	50
Total	36	100	100
Age group	Frequency	Percent	Cumulative Percent
18-29 yrs	16	44.4	44.4
30-45 yrs	18	50.0	50.0
>=46yrs	2	5.6	100
Total	36	100	100
Level of education	Frequency	Percent	Cumulative Percent
Degree	21	58.3	58.3
Postgraduate diploma	1	2.8	2.8
Masters	14	38.9	38.9
Total	36	100	100
Level of function	Frequency	Percent	Cumulative Percent
Shareholder	2	5.6	5.6
Top Management	8	22.2	22.2
Middle Management	12	33.3	33.3
Officer	14	38.9	38.9
Total	36	100	100
Level of experience	Frequency	Percent	Cumulative Percent
<1yer	4	11.1	11.1

1-3years	16	44.4	44.4
3-5years	9	25.0	25.0
5-10 years	6	16.7	16.7
>10years	1	2.8	2.8
Total	36	100	100

As presented in table 2 above, the sex composition shows that both male and female employees of the agency were participated in the study. Accordingly, percent of respondents between male and female were fortunately equal where 18 (50.0%) were female and 18 (50.0%) were male.

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-, revealed that 7 (8%) are 45 and above.

Education levels of the respondents were also assessed. As depicted in Table 2, 21(58.3 %) of the total respondents have first degree and 1(2.8 %) have postgraduate diploma. While the rest 15(38.9 %) have second degree.

The respondents‘ position and years of experience was assessed and presented as follows, In terms of position, 2(5.6 %) of the respondents were shareholders ,8 (22.2 %) of the respondents were top management, 12 (33.3 %) middle management , whereas the remaining 14 (38.9 %) were officers of the organization.

With regards to experience, Table 2 shows 4 of the respondents have served the organization for less than a year, 16 of the respondents have served 1to 3 years, 6 of the respondents have served 3 to 5 years and 1 of the respondents have served more than 10 years period.

4.3 Presentation and Analysis of Major Findings

In this part descriptive statistics regarding the independent variables; commitment to corporate governance, structure and functioning of the board, transparency and disclosure and also one dependent variable organizational performance in the form of mean and standard deviation were presented so as to indicate the level of agreement with their respective implication to the organizational performance in Global Insurance S.C. The mean value measures the average value of all the respondents responded towards each of the statement. It calculates the sum of the values divided by the number of values. The implication is that the item with the highest mean is the one that most employees rated highly. While the item with the lowest mean is the one that slightest rate by employees.

Standard deviation also measures the variation and it is based on deviations from the mean of the data values. It described in terms of the deviation of the observations from the means, the variation is small if the observations are bunched closely about their mean, and large if they are scattered over considerable distances. This means an item on the Likert Scale with the smallest standard deviation implies that employees gave a similar answer to that items compared with the others and vice versa.

The responses of the respondents for the variables indicated below were measured on five-point Likert Scale with: 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree.

But, while making interpretation of the results of mean and variance the scales are reassigned as follows to make the interpretation easy and clear (Best, 1977).

Agreement level= Maximum – Minimum = 5 – 1/5= 0.8

Accordingly, the mean value of each items or variables ranging from 1-5 falls within the following intervals:

Table 3: Interval of mean respondent's level of agreement

Level of mean	Level of agreement
1.00 - 1.80	Strongly Disagree
1.80 - 2.60	Disagree
2.61 - 3.40	Neutral
3.41 - 4.20	Agree
4.21 - 5.00	Strongly Agree

4.3.1 Commitment to corporate governance

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 policies and Practices. As per Section I of the Instrument (Appendix I)

Commitment to corporate governance is one of the most important factors for effective organizational performance. An organization that commits to corporate governance will be more competitive and build the moral of its employees which also enhance the organizational performance. Hence, in order to measure the effects of commitment to corporate governance on organizational performance, employees of Global Insurance were forwarded with around twenty five questions. The result is summarized in the following table.

Table 4: Descriptive statistics for Gommitment to Corporate Governance

Items	N	Mean	Std. Deviation
Company has designated officer to ensure the compliance committee or appropriate sub - committee of the board.	36	3.64	0.683
The GC code or manual specify the Major stakeholders, whose interest must be taken into account.	36	3.67	0.894
There is an Identified officer of the company tasked with the responsibility of ensuring that the company follows their own CG policy of manual.	36	3.72	0.882
The CG policy or manual is easily available and familiarized to personnel and staff of the company?	36	3.89	0.708
The Corporate governance issues are discussed in the Annual report of the company	36	3.72	0.914
The company has a written corporate governance (CG) policy or manual that deals comprehensively with corporate governance issue.	36	3.89	0.82
There is stakeholder participation during accountability	36	3.67	0.756
The degree of participation during the accountability process leads to Compliance.	36	3.72	0.849
Management provides adequate information when making accountability.	36	3.56	0.809

Management adheres to accountability procedures set by law	36	3.78	0.832
The accountability process is used as a means of assessing resource	36	3.78	0.722
The management of Global Insurance is committed to the accountability process.	36	3.83	0.775
In Global Insurance, there is resource monitoring	36	3.83	0.811
Significant departures from accountability set targets are reported	36	3.83	0.697
The availability of monitoring frameworks enhances accountability	36	3.69	0.71
Management provides active role and follow up for tracking variances and backlash	36	3.72	0.701
There is a clear methodology of tracking accountability	36	3.61	0.803
There is identification of the risky areas likely to affect the accountability process	36	3.58	0.77
There are well set internal controls practices to check the accountability process	36	3.81	0.786
Independent financial reviews are carried out at the company	36	3.83	0.737
The Company adheres to set insurance sector policies, rules and regulation	36	3.56	0.695
There are effective internal controls used to monitor the operations of Global Insurance	36	3.67	0.828
Staff are aware of the policies, laws and regulations	36	3.78	0.797
Average mean	3.729565217		

The above Table 4 contains individual variables, which are grouped together and named commitment to corporate governance. As shown in the table "Company has designated officer to ensure the compliance committee or appropriate sub - committee of the board." has scored a mean of 3.64 with standard deviation of 0.683. "The company has a written corporate governance (CG) policy or manual that deals comprehensively with corporate governance issue." has scored a mean of 3.89 with standard deviation of 0.82. "Management adheres to accountability procedures set by law" has scored a mean of 3.78 with standard deviation of 0. 832. There were just the sample questions that depict the mini variables of commitment. However, the average mean result falls between the ranges of 3.41- 4.20 this means that the majority of the respondents agreed that commitment to corporate governance adopted Global insurance S.C is in a satisfactory level. Therefore, the above result entails that Global Insurance needs to continue and strengthen its commitment to corporate governance practices and policies.

4.3.2 Structure and Functioning of the Board

Organization needs to successfully incorporate appropriate Structure and functioning of board practices which in turn has a positive effect on the performance of the organization. Hence, in order to measure structure and function of the board on organizational performance, employees of Global Insurance S.C were forwarded with a total of 35 variables. The result is summarized in the following table.

Table 5: Descriptive Statistics for Structure and Functioning of Board

Items	N	Mean	Std. Deviation
I demonstrates self-confidence by getting involved in decision making	36	3.53	.941

Board members possess the required knowledge and skills required to perform their roles	36	3.53	.878
Board members provides mutual support and monitor the operations of the company	36	3.56	.939
Board members have the capability of assessing monetary and financial documents	36	3.61	.871
Board members have the capacity to develop policies and procedures	36	3.69	.856
The management committee of Global Insurance is competent to handle the operations of the company	36	3.64	.867
The management committee is independent during decision making	36	3.50	.910
Board composition is diversified with regards to skills and competences	36	3.42	1.025
The boards are composed of competent members	36	3.78	.797
During board formation, representation from all stakeholders is considered	36	3.64	1.046
The integrity of board members is considered during board formation.	36	3.83	.775
When appointing board member, there is gender balance	36	3.61	1.076
During board formation, members' track record is considered	36	3.72	.849
The board co-opts members with expert knowledge and skill in particular fields	36	3.69	.951
The board has the mandate to carry out resource allocation	36	3.69	.710

The board takes decisions independently	36	3.61	1.022
The board of is autonomous	36	3.78	.866
The board decides on the internal control system to be instituted at the company	36	3.81	.920
The board delegates some of its responsibilities to sub-committees or subordinates	36	3.86	.723
The company publishes meaningful quarterly reports, containing segment reporting as well as results per share, consistent with international accounting standard	36	3.72	.779
The Board has a sufficient number of independent board members	36	3.67	.793
. The Board dedicate enough time for its responsibilities	36	3.67	.862
. The Board has a written code for the guidance of directors regarding their rights and duties, their prerogatives and responsibilities	36	3.75	.732
There is a Code of Ethics for the entire Company operation	36	3.72	.779
The Board has an Audit Committee, composed of in dependent 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	36	3.78	.898
The Board has actively functional committees or delegated sub - committees (compliance, nomination, compensation, and risk management	36	3.64	.798

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	36	3.61	.994
Board meetings are held according to a regular schedule	36	3.61	.964
The Board have a performance evaluation system to evaluate its own performance	36	3.64	1.018
Average Mean	3.67		

According to the table 5 above, almost all of the respondents agree about the practice of improved board structure and functioning. Moreover, the mean scale was found to be 3.67 signifying that all of the respondents were satisfied with the competencies, composition and independence of the board. Added to that, the board of directors is up to the task of overseeing the strategy, management and performance of the company.

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 the average mean and standard deviation is 3.67 and .978 consecutively.

4.3.3 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. Hence, in order to measure the effects of transparency and disclosure on organizational performance, employees of Global Insurance S.C were forwarded with total of twenty five variables. The result is summarized in the following table.

Table 6: Descriptive statistics for Transparency and Disclosure

Items	N	Mean	Std. Deviation
An internationally recognized accounting and auditing system is in place.	36	3.64	.723
The company publishes all public information	36	3.61	.964
There is no falsification of information at the company	36	3.50	1.000
All relevant documents/reports/statements of the company are available for access	36	3.75	.996
The information provided to the public is complete	36	3.47	1.000
Dissemination of company information is done in a timely manner	36	3.61	1.050
The company provides regular progress reports about its performance to statutory bodies	36	3.69	.889
At the company, management ensures that certification of agency records is carried out	36	3.69	.980
The company's financial statement are authenticated by legal bodies	36	3.89	.950

The company regularly under goes an audit process to verify its performance	36	4.00	.793
During the verification process, issues raised are addressed appropriately.	36	3.75	1.025
Proof of company's expenditures and revenue are ascertained by external auditor	36	3.75	.937
The audit is performed by a recognized national/international firm	36	3.75	.906
The Annual Report discusses the company's risk management system.	36	3.72	.779
The company's annual financial statement is published no later than 3 months	36	3.61	.766
The company‘s Annual Report contains information on significant cross shareholdings (say 5% or more)	36	3.61	.728
Conflicts of interest are fully revealed through a clear and well-established mechanism, approved by the regulatory authorities	36	3.56	.843
All financial analysts are treated equally regarding information dissemination fair disclosure	36	3.61	.903
This information, along with the financial calendar, is regularly put on the internet]	36	3.33	.956
The company responds to audit queries raised by statutory bodies	36	3.75	.732
The company facilitates understand ability and interpretation of the published information	36	3.69	.786

The information disclosed by the company is a reflection of its performance	36	3.72	.779
Due to the company‘s level of openness it is trusted by the public	36	3.56	.843
The audited accounts of the company are available for public access	36	3.58	.906
The information provided by the company are error free	36	3.61	.838
Average Mean	3.66		

According to table 6 above, with regards to Transparency and disclosure of global Insurance company with its financial reports, dissemination of information, audit committee, using of internationally recognized accounting and auditing system, the companies financial statement are authenticated by accredited legal bodies and alike were replied mostly agreed by the respondents.

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 average mean 3.66 in which according to the above formula ranges with the agree level.

4.3.4 Effective Performance

Responses of sampled respondents on organizational performance with context to corporate governance, employees of Global Insurance were forwarded with ten variables. The result is summarized in the following table.

Table 7: Descriptive Statistics For Effective Performance

Items	N	Mean	Std. Deviation
The company is highly	36	3.56	.809

productive			
The company is one of the fastest growing insurance factory in the country	36	3.56	1.054
The company's sales volumes have been growing for the last 2 years	36	3.64	.899
The company's sales turnover has grown	36	3.56	.809
The company's return on investment has been growing over the years	36	3.67	.793
The asset base of the company has grown	36	3.50	.910
The company competes favorably in the Insurance industry	36	3.72	.815
The company's customer base has grown over the years	36	3.61	.728
The profit margins of the company have growth	36	3.69	.856
At the company, the total costs of operation have continued to reduce	36	3.53	.774
Average Mean		3.60	

According to table 7 above, with regard to the organizational performance in Global Insurance S.C, all of the respondent's reply falls in between the range of Agree. The mean score was 3.60 which fall under the range of agrees. Hence, the organizations performance is more than moderate, but needs improvements to attain the highest level of effective organizational performance.

4.4 Correlation Analysis

In this section Pearson's Correlation Coefficient was computed. The Pearson's correlation coefficient (r) was used to conduct the correlation analysis to find the level and direction of the relationship between determinants (Commitment to corporate governance, structure and functioning of the board, transparency and disclosure) and organizational performance. Pearson's correlation coefficient falls between -1.0 and +1.0, indicates the strength and direction of association between the two variables. A low correlation coefficient: 0.1-0.29 suggests that the relationship between two items is weak or non- existent. If r is between 0.3 and 0.49 the relationship is moderate. A high correlation coefficient i.e., >0.5 indicates a strong relationship between variables. The table below presents the correlation analysis between the independent variable of determinates and dependent variable organizational performance.

Table 8: Correlation Analysis

		CommitmentScore	StructureScore	disclosureScore	PerformanceScore
CommitmentScore	Pearson Correlation	1	.847**	.732**	.532**
	Sig. (2-tailed)		.000	.000	.001
	N	36	36	36	36
StructureScore	Pearson Correlation	.847**	1	.806**	.539**
	Sig. (2-tailed)	.000		.000	.001
	N	36	36	36	36
disclosureScore	Pearson Correlation	.732**	.806**	1	.588**

	Sig. (2-tailed)	.000	.000		.000
PerformanceScore	Pearson Correlation	.532**	.539**	.588**	1
	Sig. (2-tailed)	.001	.001	.000	
**. 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 8 above; as it is indicated there was significant and positive correlation between independent variables and effective performance. The variable Transparency and Disclosure is significantly related with effective performance i.e. ($r= 0.588$, with $p< 0.01$) and structure and functioning of the board is also significantly related with performance with a rate of ($r= 0.539$, with $p< 0.01$). The next a bit lower significant relationship is Commitment to Corporate Governance ($r= 0.532$, with $p< 0.01$).

The Pearson's Correlation Coefficient for Commitment to Corporate Governance and Effective performance was $r = 0.532$, which was positive with probability value ($p = 0.001$) that is equal to $\alpha = 0.01$ 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 company 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 $r = 0.539$, which was positive with probability value ($p = 0.001$) that is equal to α

= 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 $r = 0.588$, 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.

4.5 Multi Regression Analyses

Multiple regression analyses were conducted to measure the impacts between the independent variables and the dependent variable. The regression results are shown in the table below R square is the square of the multiple correlation coefficients; it indicates the proportion of the variance of the dependent variable explained by the independent variables. The closer R square near to 1, the better the regression model is, whereas the coefficient indicates the number of units of increase in the dependent variable caused by an increase of one unit in the independent variable. In the table below the adjusted R square shows 0.368 or 36 % variation in organizational performance is explained by the three explanatory variables of the Study.

Regression Model

$EP= B +B1X1+B2X2+B3X3……$ X1= Commitment to corporate governance

$EP=-0.008+0.115X1+0.259X2+0.631 X3$ X2= Structural and functioning of the board

Where: EP=Effective Performance X3= Transparency and disclosure

Table 9: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.607[a]	.368	.309	6.18371	.368	6.218	3	32	.002

a. Predictors: (Constant), disclosureScore, CommitmentScore, StructureScore

Table 10: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.680	2	6.227	18345.690	.000[b]
	Residual	.029	32	.000		
	Total	18.709	35			

a. Dependent Variable: PerformanceScore

b. Predictors: (Constant), CommitmentScore, StructureScore, DisclosureScore

According to Table 10, Commitment to Corporate Governance, Structure and functioning of the board and Transparency and Disclosure predict 18.42% of organizational performance (Adjusted R Square = .368). The regression model was significant and thus reliable for making conclusions and recommendations.

Table 11: Coefficients

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

Dependent Variable: PerformanceScore

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.

4.6 Hypothesis Testing

At this point using this multiple regression coefficient results, the proposed hypotheses for the three variables Commitment to corporate governance, structure and function, transparency and disclosure in the study were tested as follows:-

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

H2: Commitment to corporate governance has significant and positive effect performance of Global Insurance S.C is ACCEPTED.

H3: Structure and functioning of the board has significant and positive effective performance of Global Insurance S.C is ACCEPTED.

Chapter Five

5. Summary, Conclusion, and Recommendation

5.1. Introduction

The purpose of this study was to assess and identify the practices and describe the role of corporate governance to effective performance. This last chapter summarizes about the results of the study that are presented in chapter four. It also gives some conclusions from the result findings and discussions depending upon the research's questions and objectives. Finally, it suggests some future recommendations on important issues that ought to be done and brought into consideration by concerned bodies accordingly.

5.2. 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 Global Insurance S.C. This was administered 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 therefore the data was analyzed with the utilization of Statistical Package for Social Scientists; SPSS version 20 which presented leads to tabulations of frequencies, correlations and regression analysis. From the findings on the demographic characteristics, the respondents were proportionate combination of gender. Consistent with the results, officers were more responsive as compared with other positions. a big number of respondents had accumulated experience of over 1 year. the bulk of the respondents belonged to the 30-45 years age bracket and therefore the highest level of education possessed by the bulk of the respondents was 2st degree/masters level of education.

The findings on Commitment to corporate governance and effective performance revealed a big relationship. This is often 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 monetary Compliance were a big predictor of effective performance.

Based on the correlational findings on the effect of Structure and functioning of the board and effective performance, a big relationship was observed. This is often 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 Global Insurance S.C.

From the findings, there was a really strong and statistically significant positive correlation between the transparency and disclosure, and effective performance, a big 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 corporate 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 aren't a relevant, faithful, and timely representation of its economic transactions and resource. While increasing Transparency and disclosure means 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 knowledge that's transparently provided by a corporation is accurate, true and non-selective, it's likely that the general public will trust a transparent organization from a non-transparent one.

5.3. Conclusion

The study attempted to assess the company governance practice of Global Insurance S.C; and made evaluation of the practice against Commercial Code of Ethiopia and OECD principles. Within the process, the study basically addressed the research questions, and supported the results and findings; the subsequent 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 Global Insurances S.C. performance. The positive significant relationship between Commitment to corporate governance on effective performance is justification that to market 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 is able to successively improve performance.

The findings confirmed that Structure and functioning of the board was a determining factor of Global Insurance S.C. performance which is implication that board competences, independence and composition were paramount in promoting Global Insurance S.C. Performance. As a result this is able to promote idea generation as a result of board independence which might successively cause better and important and timely deciding and thereby better company performance.

From the findings, Transparency and disclosure was an integral in promoting the performance of the global Insurance S.C. this means that when the corporate provides information that accurate, true and non-selective, this may cause the general public having trust within the organizations, then refining their performance. These defense that Transparency and disclosure was paramount in refining Global Insurance S.C. performance.

5.4. Recommendations

Based on the findings, the prevailing practices of companies got to ensure and improve their governance in line with OECD principles. To supplement the practice and address its gaps, the company governance framework of Global Insurance S.C. are suggested with the subsequent recommendations.

1. The management of Global Insurance S.C. should make sure that the generated financial reports are correct, pertinent and reliable so on enhance deciding which might successively have a positive effect on the performance of worldwide Insurance S.C. this might be recognized through confirming that effective and efficient financial reporting methods are put in situ to encourage participation, effective evaluation and obedience to financial policies set as this may have a positive influence on the businesses Performance.

2. The shareholders and management of Global Insurance S.C should make sure that the members appointed on the various boards and committees have the specified competences, encourage gender balance and are independent at the time of deciding. This might be achieved through talent management by stimulating succession planning, workplace diversity, career guidance, and staff development where the corporate should offer the essential training for workers.

3. The management of global Insurance S.C should put big emphasis on information access, independent verification and disclosure so on increase company's performance. This will be passed out through Global Insurance websites, publications and thru electronic media which can have a positive effect on the effectiveness and efficiency of the corporate within the transport of the specified services to the general public.

5.5. Implication for Future Study

In general this study is restricted in many factors like scope, limited case, an alike. Thus, for future studies, by taking suggestion from other sectors and growing the amount of observations through the utilization of giant sample size and extended year's data and including more external and internal corporate governance variables further studies should be conducted within the arena of Corporate governance.

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Appendices

Appendix 1: Questionnaire

Questionnaire

This study is being conducted in partial fulfillment to the requirements of the Master's Program in business leadership at the Addis Ababa University, School of Commerce. The study aims to explore the Role of Corporate Governance in Performance: The Case of Global Insurance 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 Global Insurance 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 study 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 Global Insurance 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 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),

No.	**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 Global Insurance is committed to the accountability process	1	2	3	4	5
III	**Evaluation**					
1	In Global Insurance, 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 insurance sector policies, rules and regulations	1	2	3	4	5
2	There are effective internal controls used to monitor the operations of Global Insurance.	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 Global Insurance 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 in dependent 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 insurance 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 insurance 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!