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The Moderating Role of Perceived Organizational Justice in the Relationship Between Corporate Governance and Employee's Organizational Commitment: The Case of Awash Insurance Company (S.C.)

A Thesis Submitted to Addis Ababa University College of Business and Economics, Graduate Studies in Partial Fulfilment of the Requirements for the Degree of Master of Executive Business Administration.

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Addis Ababa**

Declaration

I, Bizuayehu Tadesse, hereby declare that the thesis entitled: The Moderating Role of Perceived Organizational Justice in the Relationship Between Corporate Governance and Employee's Organizational Commitment: The Case of Awash Insurance Company (S.C.) is my own original work and has not been submitted for any degree either at this University or any other University and all sources of materials used for the study have been duly acknowledged. It is offered for the award of the degree of Executive Master of Business Administration from Addis Ababa University.

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This is to certify that this study entitled: The Moderating Role of Perceived Organizational Justice in the Relationship Between Corporate Governance and Employee's Organizational Commitment: The Case of Awash Insurance Company (S.C.) was undertaken by Bizuayehu Tadesse for the partial fulfilment of Executive Masters of Business Administration at Addis Ababa University, is an original work and not submitted earlier for any degree either at this University or any other University.

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Statement of Certification

This is to certify that the thesis prepared by Bizuayehu Tadesse entitled: The Moderating Role of Perceived Organizational Justice in the Relationship Between Corporate Governance and Employee's Organizational Commitment: The Case of Awash Insurance Company S.C. was submitted in partial fulfilment of the requirements for the degree of Master of Executive Business Administration compiles with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Chair of Department or Graduate Program Coordinator

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Acronyms

AIC	– Awash Insurance Company (S.C.)
CEO	– Chief Executive Officer
CG	– Corporate Governance
IBP	– Insurance Business Proclamation
ICGD	– Insurance Corporate Governance Directives
OC	– Organizational Commitment
OECD	– Organization for Economic Co-operation and Development
POJ	– Percived Oganizational Justice
NBE	– National Bank of Ethiopia
SPSS	– Statistical Package for Social Science

Abstract

The success of an organization is essentially reliant on employee's commitment and hence the concept has attracted many researchers in helping organizations to be productive and achieving their long-term strategies. Corporate governance is also one of a global heart-warming area of study in sustaining business in the last few decades and is a dominant concept in enhancing business performance. Although several related researches have been conducted in different parts of the world, few were in Ethiopia. This study, thus, targets to fill this gap by taking 181 random samples from employees at several branches of Awash Insurance Company (S.C.) in Addis Ababa and its locality. A theoretical foundation was compiled for the study based on the literature review. Both direct effect of Corporate Governance (CG) – employee's Organizational Commitment (OC) relationship and interaction effect of Perceived Organizational Justice (POJ) as moderator were examined in this relationship. Moderated hierarchical regression has been applied to present how CG as independent variable and POJ as moderator influence employee's organizational commitment. From the analyses, it was established that CG has positive and statistically significant effect i.e. $p < 0.05$ on employee's organizational commitment. However, POJ was not found to moderate the relationship between CG and OC significantly in hypothesized direction i.e. $p > 0.05$. Based on the findings, it was concluded that CG is a valuable strategic direction for the Company to improve the organizational commitment of its employees. However, the role of the moderator was not statistically significant to influence the relationship between corporate governance and employee's organizational commitment.

Key words: *Corporate Governance (CG), Organizational Justice (OJ), Organizational Commitment (OC) and Awash Insurance Company (AIC)*

CHAPTER ONE

1 INTRODUCTION

This introductory chapter is intended to give information concerning an overview of the study. It includes background of the study, statements of the problems, objectives of the study, research hypothesis, significance and definition of important terms/variables. It also provides the assumptions, scope and organization of the thesis.

1.1 Background of the Study

The sustainable success of an organization is essentially dependent on employee's organizational commitment and hence the concept has fascinated many researchers in helping organizations to be productive and achieving their long-term missions and visions (Meyer & Allen, 1991). Committed employees are thought to have higher job satisfaction, intensify performance and reduced intention to leave their organization (Ali, Rehman, Yousaf and Zia, 2010). Employee's organizational commitment is also thought to be one of the primary determinants of workers' performance and business success. In order to obtain the greatest out of their employees and sustain their success, organizations are expected to know what factors are affecting the organizational commitment of their work force (Ali et al., 2010). Employee's organizational commitment is an effective response to the entire organization and is the degree of attachment or devotion employees feel towards their organization (Wei & Tai, 2010). Employees with poor organizational commitment do not exercise their full potential into the work and realizing mission of their employers (Ali et al., 2010). Even if organization may design and institute fair compensation policies and human resource practices to stimulate and retain employees, most of times, they would fail to recognise why some employees are not committed to the organization (Allen & Mayer, 1991). It can be costly if workers are not committed in their jobs, and if they lack the enthusiasm to work out their full capacities (Ongori, 2007).

Corporate governance is also becoming a global burning issue since the finance crisis hammered the world economy, particularly USA, in 2002 and 2008 (Legg, 2009). This has attracted immense attention to set different codes of conduct and regulatory frameworks, principles and rules to be observed by large corporate entities (Kakabadse & Kakabadse, 2003). According to Walker

(2009), corporate governance has also a determinant role for the success of financial institutions and is fundamental to meet immediate and long-term goals of the financial institutions.

According to Belay (1987), Emperor Menelik II, in 1905, had agreed with Mr. MA Gilliver, representative of the British owned National Bank of Egypt, had established a modern form of financial institutions and the then first bank was formed and named as Bank of Abyssinia. Together with delivering the banking service as its primary mission, it was also serving as agent in providing insurance services on behalf of overseas insurance companies. However, Ethiopian Insurance Corporation was later established through the nationalization of overseas and local equity owners after the downfall of the military government in 1974 (Belay, 1987). In order to allow the involvement of private investors who are Ethiopian citizens, in the year 1991, the transition government of Ethiopia had crafted and implemented a new Licensing and Supervision of Insurance Business Proclamation (IBP) No. 183/1994 (Abraham, 2015). The lately issued new IBP No.746/2012 (2012) considers and emphasizes about the implementation of corporate governance in insurance companies. Subsequently, Insurance Corporate Governance Directives (ICGD) No. SIB/42/2015 was issued by the Insurance Supervision Directorate in National Bank of Ethiopia (NBE) particularly discussing corporate governance of the sector. At present, insurance companies in Ethiopia has adopted a new IBP (2012) together with several revised regulations and directives in order to strengthen corporate governance of the sector and sustain their success. Following the provision of the Proclamation and Commercial Code of Ethiopia, 1960, Awash Insurance Company (S.C.) was established on 1 October 1994 and engaged in the rendering of both life and general insurance services to its clients in Ethiopia.

Moreover, organizational justice is central and expressed as the perception of fairness in an organization by its workforce (Greenberg, 1990). It is thought that committed employees will positively impacted on the success of businesses (Gopanzano & Stein, 2009). However, their organizational commitment is threatened if they felt unfairly treated (Hassan, 2002). Accordingly, to ease the threat, organizational justice is an important tool. Employees are very curious and react on environment that are perceived to be unfair (Skarlicki & Folger, 1997). According to Rawls (1971) there are three dimensions of organization justice. These are procedural justice, distributive justice, and interpersonal justice.

With the objective to enhancing the organizational commitment of employees and in due course to realizing organizational goals of Awash Insurance Company (S.C.), this research therefore examined the moderating role of perceived organizational justice in relation to corporate governance and its impact on employee's organizational commitment. The result of the research is also expected to support Awash Insurance Company's management in giving attention to how it may enhance the organizational commitment of its employees by improving the implementation of corporate governance along with demonstrating organizational justice.

1.2 Statement of the Problem

Most organizations across the world have so long been challenged to maintain and commit their employees because of several adversative factors of human resource management (Ongori, 2007). According to Nawab (2011), identifying the impact of employee compensation in educational sector of Pakistan has helped organizations to foster employee's organizational commitment and enhanced their satisfaction level among members of faculty. Yet many organizations have designed and implemented appealing compensation policies and human resource practices to stimulate, retain and enhance their employee's organizational commitment, several empirical studies have revealed organizations still not successful to know why quite significant number of employees are not committed to their organization (Hassan, 2002, Wei & Tai, 2010, and Adamidis, 2016). High rate of employee's turnover would significantly impact on the productivity and sustainability of organizations (Iqbal, 2010).

Many organizations have also generally recognized that their survivals and success depend on their observance to corporate governance (Hong & Nguyen, 2017). Corporate governance ensures that its owners receive an adequate return on their equity, while the expectations of other stakeholders are also expected to be achieved (Organization for Economic Co-operation and Development (OECD), 2004). According to McGaughey (2014), corporate governance execution involving employees in boards would enhance their bargaining power, wages rates and working conditions, all of them affect employees job satisfaction, employee's organizational commitment and ultimately ensures sustainability of organizations. Given to its importance, several empirical studies have been conducted in developed countries on the relationship between corporate governance and firm performance (Hong & Nguyen, 2017), corporate governance and employee job satisfaction (Adamidis, 2016) and Corporate governance and employee relations

(Konzelmann, 2007). Ethiopian insurances' corporate governance is characterized by the absence of an organized capital market and the country has different regulations, practices, and economic features which needs to conduct a separate study (Ezana, 2012). When financial markets are not existing and shareholders interest is not well protected, the role of board of directors is crucial (Abraham, 2015).

Quite a great number of employees have lost their loyalty and lack organizational commitment due to several forms of organizational injustice (Skarlicki & Folger, 1997). Improving organizational commitment among the organizational members is an important factor that will ultimately result in their higher workforce organizational commitment, reducing leavers and they will accomplish better (Nawab, 2011). Committed workforce give a visible advantage and hardly few organizations in this aspirant world could realize their target without (Allen & Mayer, 1990).

Employees are believed to be one of the central influences to be accounted in the stakeholder's analysis and taken care within corporate governance activities (Nmashie, Eric & Delle, 2014). A statement referred from the annual Human Resource Directorate's report of Awash Insurance Company (S.C.) back in 2015/16 had revealed that employees' turnover rate was quite increasing. Their commitment towards the Organization were also found to be unsatisfactory. Yet, the Management must examine and resolve the problem why the situation has been happening. This vital rationale motivated this research to consider organizational justice to be a moderator in the relationship between corporate governance and employee's organizational commitment. To the best understanding of the researcher, no study has also been conducted in Ethiopian organizational cultural setup, specifically in the insurance sector, on the relationship between corporate governance and employee's organizational commitment by considering perceived organizational justice as a moderating factor. Besides, in Ethiopian context, there are insufficient academic literatures in the area of organizational justice to examine its relationship with corporate governance and employee's organizational commitment. Then to fill such gap, more academic research is imperative. In view of this, the present study sought to investigate if corporate governance could enhance employee's organizational commitment with the moderating role of perceived organizational justice in the Relationship between these two variables in the case of Ethiopia, particularly Awash Insurance Company.

1.3 Objective of the Study

1.3.1 General Objective

The general objective of this study is to examine whether good corporate governance would impact on employee's organizational commitment and examine the effect of perceived organizational justice as a moderating role.

1.3.2 Specific Objective

The specific objectives are: -

- To examine if corporate governance would significantly impact on employee's organizational commitment.
- To investigate the moderating role of perceived organizational justice in the relationship between good corporate governance and employee's organizational commitment.

1.4 Research Hypothesis

Hypothesis can be stated as a reasonably anticipated relationship between two or more variables expressed in the form of a researchable statement. Associations are estimated based on empirical arguments and theoretical literature reviews (refer chapter two of this study). In this study, the relationship between the independent variable (corporate governance) and the dependent variable (employee's organizational commitment) has been examined within analytical frameworks, namely direct corporate governance and employee's organizational commitment relationship and this relationship with the moderator.

Having the theoretical and empirical arguments discussed in forthcoming chapter two of this proposal i.e. Review of Related Literature and Hypothesis Development, the following two hypotheses were proposed and examined.

H1a: *Corporate governance is positively related to employee's organizational commitment in that organizations with higher level of corporate governance have higher employee's organizational commitment.*

H2a: Organizational justice moderates the relationship between the corporate governance and employee's organizational commitment relationship, such that the effect of corporate governance on employee's commitment is strongest when appropriate level of organizational justice is implemented.

1.5 Significance of the Study

As to the knowledge of the researcher, there are no previous similar studies in financial industries, particularly the insurance sector, conducted directly on the relationship between corporate governance and employee's organizational commitment particularly with perceived organizational justice as moderator variable. The study can be used as a reference point and serve as a secondary source of data for those who want to conduct further thorough study in this area. For the researcher, this study will help advance his research skills.

From practitioner's perspective, the result of the study would provide information as to the extent to which sound implementation of corporate governance principles would affect employee's organizational commitment moderated by perceived organizational justice. This research will primarily be helpful for management, stakeholders, employees and other decision-making bodies. The output of the research will assist the management on how to improve the organizational commitment of employees in relation to corporate governance moderated by perceived organizational justice. The study shall also be instrumental in providing information to other companies of similar size and nature on the impact of corporate governance practices within their sector on employee's organizational commitment. Eventually, the study findings would also be an input to the academic field by putting a basis for further research and understanding of the relationship between these variables. The study adds new stock of knowledge to the limited literature available about corporate governance and employee's organizational commitment moderated by perceived organizational justice in the Ethiopian organizational setting.

1.6 Operational Definition of Terms

According to ICGD No. SIB/42/2015, the National Bank of Ethiopia (NBE) has given definitions to most of the terms and variables that are going to be used in this study.

- ◆ 'Board' means board of directors of an insurer.
- ◆ '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 an insurer.

- ◆ ‘Corporate Governance (OG)’ means the process and structure used to direct and manage the business and affairs of an insurer towards enhancing business prosperity and corporate accountability with ultimate objectives of realizing long-term shareholders value, as well as customers and other stakeholders’ interest.
- ◆ ‘Director’ means any member of the board of directors of an insurer, by whatever title he may be referred to.
- ◆ ‘Employee’ means a chief executive officer, a senior executive officer or any other person who is appointed or hired by an insurer to carry out its day to day operations.
- ◆ ‘Financial Institution’ means insurance company, bank, micro-financing institution, postal savings or such other similar institution as defined by the National Bank.
- ◆ ‘Senior management’ means chief executive officer, and any other officials, as may be defined by individual insurer, responsible for day-to-day running of the operation.

Other definitions of variables are also established as follows:

- ◆ Employee’s organizational commitment (OC) is expressed as an emotional connection describing an employee's feel towards his/her organization (Duygu, 2011).
- ◆ Perceived organizational justice (POJ) is the perception of fairness in an organization by its workers Greenberg (1990).

1.7 Assumptions and Scope of the Study

1.7.1 Assumptions

A major assumption of this study is that all participants would answer the survey questions truthfully. Comments from participants will be incorporated in the pilot study that the instrument is simple and take only few minutes to complete. It therefore is assumed that a significant number of those survey would be responded. Moreover, it is assumed that the various branches of the Company operate in a similar manner with respect to policies and practices even though they are in different geographical areas of the country and the sampling considers only employees at Addis Ababa and at its locality (within 100 km radius from the Addis Ababa).

1.7.2 Scope of the Study

Various authors and researchers have proposed drivers of corporate governance, which include a wide range of factors (Shleifer & Vishny, 1997). It is difficult to best conceptualize factors influencing corporate governance. This study however, focused only on main five determinates of internal corporate governance structures (board structure, size, independence, composition and committees) as independent variables and some demographic variables (gender, year of service and education level). The dependent variables are delimited to employee's organizational commitment as moderated by perceived organizational justice. Organizational justice has also three components as distributive justice (outcomes), procedural justice (decision-making processes) and interactional justice (interpersonal treatment).

The type of commitment studied in this paper is employee's organizational commitment and the specific commitments studied are Affective, Normative and Continuance commitments. Job (work) commitment of employees is beyond the scope of this study. The factor being investigated in this study influencing employee's organizational commitment is corporate governance with the moderating role of perceived organizational justice. Other factors affecting employee's organizational commitment like national culture, leadership styles, level of economic development of the country, age, gender, income level of employees are beyond the scope of this study.

The study also delimit itself to the Company's branches that exist in Addis Ababa and its locality (within 100 km radius from the Addis Ababa), it does not focus on remote branches out of this area. The respondents to the survey are also limited to professional employees of the branches and divisions. However, the recommendation provided can help all branches of the Company over the country to have insight on determinates of Corporate governance in insurance Company's employees moderated by perceived organizational justice and take corrective measurement.

1.8 Organization of the Thesis

The paper comprised five chapters. The first chapter focused on the overall purpose and direction for this study. Chapter Two highlighted the key research in this study area with a review of the

relevant literature and empirical studies. The remaining Chapters i.e. Three, Four, and Five provided a detailed description of the study, its findings and a discussion of its implications for policy, practice, and research in the field of human services.

CHAPTER TWO

2 REVIEW OF RELATED LITERATURE AND HYPOTHESIS DEVELOPMENT

2.1 Introduction

This chapter will discuss the literature related to concepts and operational definition, theoretical and empirical review, the development of the theoretical framework to be tested in the study, hypothesis development and finally close the chapter with the conclusion.

2.2 Organizational Commitment

Several scholars in the area of Organizational Behaviour, Organizational Management and Human Resource Management viewed that commitment is a very complex thought and thus difficult to describe. Generally, employee's organizational commitment is regarded as an emotional connection describing an employee's feel towards his/her organization (Duygu, 2011). This has consequences for the employee's attitude to continue or separation from the organization. Committed employees always strives for the success of the organization through realization of its mission and objectives (Wei & Tai, 2010). Organization could keep their employees committed by motivating employees, building trust and growing personal connections (Shahid, 2013). Committed workforce has enormous paybacks to the organization like enhanced job satisfaction, increased job satisfaction, decreased employee turnover, reduced intention to leave and decreased absenteeism (Duygu, 2011, Wei & Tai, 2010, Shahid, 2013, Meyer & Allen,1991). According to Meyer & Allen (1991), employee's organizational commitment has three components. These are affective (affection for your job), normative (sense of obligation to stay) and continuance (fear of loss) commitment which are discussed here below.

2.2.1 Affective Commitment

According to Iverson & Buttigieg (1999), affective commitment refers to how much employees want to continue with their employers in whatsoever situation their organization are in. Employees who are affectively committed are the most to associate themselves to their employers whatsoever challenge their organizations may face (Bergman, 2006). Employees who like and satisfied with their job, they are likely to commit themselves to the organization they live with (Allen & Mayer, 1990). They typically identify with the organisational goals, feel that they fit into the organisation and are satisfied with their work (Meyer & Allen,1991). Affectively committed employees are those who has got a feeling of being valued, playing a representative

role where their organizations are not present and commonly considered as an asset for employers (Wei & Tai, 2010).

2.2.2 Normative Commitment

Normative commitment is how much employees feel they should stay at their organisation is best described by normative commitment (Allen & Mayer, 1990). Employees who commonly feel that they should stay at their organisations are normatively committed (Bergman, 2006). Accordingly, employees feel a sense of obligation to their organization even at times of discontent or unhappy with their job. Normatively committed employees feel that leaving their organisation would have disastrous consequences and feel a sense of guilt about the possibility of leaving (Meyer & Allen, 1991).

2.2.3 Continuance Commitment

According to Allen & Mayer (1990), continuance commitment refers to how much employees sense the need to stay at their organisation and employees who keeps remaining with their organization is principally justified by their continuance commitment. Iverson & Buttigieg (1999) explained that the reasons for claiming to stay with organisations vary, but the main reasons relate to a lack of work alternatives, remuneration i.e. their salary and fringe benefits won't advance if they change to another organisation; you might lose seniority or role-related skills that you've spent years acquiring (professional); and/or you'd drop associates or acquaintances (social).

2.3 Corporate Governance

Corporate governance has been defined in different ways by different authors and regulators. According to the Konzelmann (2007), corporate governance refers to the system in which corporate organizations are directed and their guiding objectives. Hence decision makers, their power and accountability are recognized while systems are designed. Corporate governance identifies who has authority and responsibility, and who makes decisions (Kakabadse & Kakabadse, 2003). It also refers to the system by which firms can be controlled and directed and it involves a set of rules and regulations between several stakeholders including company's management, its board, shareholders and other stakeholders (Shleifer & Vishny, 1997). The system also includes policies, people and processes that serve the needs of shareholders and other stakeholders by controlling and directing the activities of management with good business

knowledge, objectivity and integrity (Konzelmann, 2007). Corporate governance is also referred to as the set of policies, regulations and rules which is framed to safeguard the values of corporate shareholders' interests (Monks & Minow, 2004). According to OECD (2004) "Corporate governance provides the structure through which the objectives of a company are set, and the means of attaining those objectives and monitoring performance are determined". ICGD No. SIB/42/2015 issued by The National Bank of Ethiopia defined corporate governance as "the process and structure used to direct and manage the business and affairs of an insurer towards enhancing business prosperity and corporate accountability with ultimate objectives of realizing long-term shareholders value, as well as customers and other stakeholders' interest".

Many researchers and theories support that in order to maintaining the safety and soundness of financial system in general and the insurance sector, corporate governance plays a decisive role. According to ICGD No. SIB/42/2015 (2015), to realize long term shareholders' value and balance the interest of other stakeholders by way of prudent risk taking and signifying corporate accountability, insurance companies in Ethiopia should adopt and implement corporate governance effective 1st October 2015. The directive necessitates that all insurance companies operating in the regime are urged to adopt and implement the corporate governance and report to the Insurance Supervision Directorate as and when required and this ensures that the interests of all stakeholders (shareholders, employees, suppliers, customers and the community) are balanced.

Even though the concept of corporate governance was quickly embraced in several corners of the world, the nature varies as the circumstances differ from nation to nation because of their legal systems (Monks & Minow, 2004). Corporations like Enron and WorldCom in the United States had failed even though the developed nations are assumed to be leaders in adoption of corporate governance system (Kakabadse & Kakabadse, 2003).

2.3.1 Internal Corporate Governance Mechanisms

Board of directors have a responsibility of company processes such as hiring, firing and compensation of management executives which indicates their involvement in organizational development (Monks & Minow, 2004). In principle, the function of the board of directors is now an aggregation of various aspects such as the development of strategy, assessment of executive performance and calibre, assessment of controls and audit systems, prevention and management

of crises, facilitation of the flow of legal and ethical values as well as information dissemination (Shah, Butt & Saeed,2011). Internal corporate governance structure is here under explained by board structure, board composition, board size and board committees each explained here below.

2.3.1.1 Dimensions of Corporate Governance

Even though there is little empirical research on the factors that predict corporate governance, it is possible to identify several potential drivers from (Monks & Minow, 2004) model. The literature is unclear as to which variables are the strongest predictors. Therefore, determinants for this study were chosen by reviewing the limited data that are available regarding corporate governance.

a) Board Structure

According to Block (2016), board structure has either a one-tier or two-tier model. The two-tier structure contains two governing bodies. These are the supervisory board and the management board. The basic difference between the one-tier and two-tier structures is the absence of the supervisory board in the one-tier model. In the two-tier structure, the supervisory board has decisions result from such sub-committees. Vance (1983) further asserts that the executive, audit, nomination, and compensation committees have an extensive impact over company activities. To have an effective monitoring body in the board, the audit committee composing independent directors is imperative (Klein, 1998). Even though the directive No. SIB/42/2015 of corporate governance on insurance companies in Ethiopia is silent to this regard, the two-tier model is preferred in balancing the interest of all stakeholders. At least one third of independent directors are preferred in board, for effective monitoring of the actions of executive directors (Shah et al., 2011).

b) Board Size

To properly manage businesses, it is usually accepted that the board size is a decisive internal mechanism of corporate governance and plays a key role (Vance, 1983). There is a view that larger boards are better for corporate performance because they have a range of expertise to help make better decisions and are tougher for a powerful CEO to dominate. When a CEO is dominant, it easy to him/her to manoeuvre and influence board of directors when their size is bigger (Lipton & Lorsch, 1992). It is considered that harmonisation among board members and problem management would be the challenge at times of larger board size. In order to reduce the possibility

of free riding by and increase the accountability of individual directors, smaller boards are hence required. ICGD No. SIB/42/2015 prescribes the board size for an insurance company shall not be less than nine (9) persons which of course minimize the free riding CEO to influence.

c) Board independence

Board of directors is an all-inclusive body that should realise the duties entrusted with in the best interest of stakeholders (Block, 2016). The board necessitates the combination of executive and non-executive directors to realise shareholders' stake (Nowak & McCabe, 2008). The non-executive directors on the board will not be able to deliver their duties effectively, unless they are free from undue pressure from management and ensure they provides unbiased business judgment (Garg, 2007). According to Nowak & McCabe (2008), independent directors are the person entrusted by shareholders to act on their behalf and will help to mitigate agency problems.

Berghe and Baelden (2005) studied the subject of independence as a critical factor in ensuring board's realisation of the objectives they are made responsible through the monitoring and strategic roles of the directors. The ultimate factor for the board independence is by engaging adequate numbers of the independent directors on board. Director's ability, willingness and board environment might lead to the balanced attitude of each director (Garg, 2007). Kakabadse, Yang and Sanders (2010) studied that the non-executive director system in China was poor as there was too considerable interference of controlling shareholders and there was a lack of understanding of the roles of non-executive.

d) Board Composition

Board mostly composes of executive and non-executive directors (Vance, 1983). Executive board of directors refer to dependent executives and non-executive board of directors to independent wings (Shah et al., 2011). In order to have an effective working board and becoming unbiased monitors, one third of independent directors are preferred in board (Coleman, 2014). Dependent board of directors are also vital as they have insider knowledge of the organization, which is not available to outside directors, but they can ill use this knowledge by transferring wealth of other stockholders to themselves (Block, 2016).

In accordance with corporate governance directive of insurers in Ethiopia, Directives No. SIB/42/2015, the composition of board of directors is desired to be a team of multidisciplinary field of studies and mix of gender. According to the directives, favourite area of studies include finance, accounting, insurance, legal, investment management and information technology. The Directive also obliged the board should include the non-influential shareholders to be not less than one-third of the total elected board members.

e) Board Committee

The board has composed of several committees reporting to it assigned with several duties. Audit committee, Compensation and risk management committee, and nomination committee are among the few (Vance, 1983).

Audit Committee

To guarantee the quality of financial reporting and corporate accountability, audit committee plays a vital monitoring service (Carcello & Neal, 2000). As an agent between the board and external auditor, an audit committee bridges the information imbalance between them, facilitates the monitoring process and enhances the independence of an auditor from management. In order to ensure a high-quality financial control and advancing the control of the effectiveness of financial reporting, a properly operational audit committee is thus vital (Klein, 1998).

Compensation and Risk Management Committee

According to Klein (1998), compensation and risk committees are important internal corporate governance mechanisms that protect shareholders interests by monitoring management, including the provision of incentive payments to align the interests of managers with those of shareholders. However, the mere existence of these committees does not ensure they will operate effectively. Menon & Williams (1994) argue that in many cases committees may be formed to promote the appearance of good corporate governance without serving any useful purpose for the organization. The risk management committee monitors the level of risk the firm is exposed to while keeping in mind the desire to maximize returns; advises the board on the firm's executives of the inherent risk exposure; and future risk strategy (Walker, 2009).

Nomination Committee

Nomination committee ensures good corporate governance is delivered by evaluating the calibre and qualification of every board members and propose for relevant committees in the structure of the board (Agyemang-Mintah, 2015). The board members elect the board chairperson and secretary from board members through nomination committee and size of committee members range from three to five depending on the size of a company (Abraham, 2105). The committee is also made responsible for nominating candidates for board members by announcing via the best alternative communication means and collecting nominees from shareholders (Walker, 2009). ICGD No. SIB/42/2015 of Ethiopia urges shareholders are to be granted an opportunity to nominate and the committee shall execute it transparently.

2.4 Empirical Reviews of Employee Commitment and Corporate Governance

Experience from Ghana revealed that internal corporate governance with the dimensions of board size, board composition and CEO duality has resulted in a significant positive impact on the firm's performance (Coleman, 2014). Good corporate governance is also believed to positively and significantly impacted on employee's satisfaction (Nmashie et al., 2014). The researcher has put forward from the foregoing empirical studies that organizations with satisfied employees would similarly guarantee their commitment. A two-tier board with independent supervisory board consisting of appropriate subcommittees performing the oversight role is expected to enhance the trust that employees would have on the entire boards' in satisfying their responsibilities and accountability towards their organization. The trust employees developed may eventually result in increasing the employee's devotion towards organization.

Studies have also demonstrated evidence that corporate governance is highly impacted on employee's job satisfaction (Adamidis, 2016). According to this study, the long-term survival of organizations is heavily dependent on fulfilling the expectations of employees in order to ensure their continuous commitment. According to Vance (1983) boards made of multidisciplinary studies and gender have the ultimate effect to improve the performance of an organization which would in the end benefits the employees and consequently enhance their commitment. Furthermore, boards with satisfactory size would be expected to boost the performance and enhance the involvement of employees (Block, 2016). It is also claimed that organizations with labour union

are usually represented in the board and their representation would finally be expected to protect the interest of members of the union and raise their commitment to the organization they work for ((Allen & Mayer, 1990).

From the above empirical findings and theoretical backgrounds, organizations with effective corporate governance structure characterized by two-tier board structure, suitable board composition, adequate board size and appropriate board committees that are operational and working effectively would enhance employee's commitment. The corporate governance structure would not also ignore the involvement and representation of employees in the board to enhance their commitment towards organization. Based on the forgoing analysis, we can thus propose the following hypothesis:

H1_a: Corporate governance is positively related to employee's organizational commitment in that organizations with higher level of corporate governance have higher employee's organizational commitment.

2.5 Theories and Empirical Studies of Organizational Justice

According to Skarlicki & Folger (1997), organizational justice refers to the extent that employee's perceptions of fairness within a company and this fairness may be of distributive, procedural and interactional at workplace. Organizational justice is central and expressed as the perception of fairness in an organization by its workers (Greenberg, 1990). It is generally claimed that committed employees will favourably impacted on the success of businesses (Sheppard, Lewicki & Minton, 1992). The survival, continuity and advancement of businesses are highly dependent on the workforce who work within it (Gopanzano & Stein, 2009). The outcomes and the rewards that people obtain for their contribution's vis a vis the benefits and contributions of other people will influence human's motivation (Pierce and Gardner, 2002). According to Neuhoff & Moorman (1993), organizational justice is explained by three dimensions. These are distributive justice (outcomes), procedural justice (decision-making processes) and interactional justice (interpersonal treatment) that organizations must consider in order to have delighted and dedicated employees. There is no as such flawless justice in organization (Sheppard et al., 1992). Hence, we all live with a tolerable level of unfairness in an organization. Let's examine each of the three dimensions of organizational justice.

2.5.1 Distributive Justice

Distributive justice can be broadly expressed as the employee's concerns of the equitability of scarce resources and outcomes they obtain (Cohen & Greenberg, 1982). According to Sheppard et al. (1992) when employees feel that their organizations are not fair, employee productivity or morale is threatened. Equal works should provide persons with equal compensation and burdens are also be shared fairly among the members of the organization (Rawls, 1971). Organizations can provide similar distributive justice by educating, communicating, and enacting fair employment practices with the organization (Alexander, 1983).

2.5.2 Procedural Justice

Procedural justice is concerned with how employees voice is heard and given due attention (Alexander, 1983). An organization must ensure that structures and procedures are instituted for employees to communicate their grievance and other concerns and voice system could play either preventive or remedial role (Sheppard et al., 1992).

2.5.3 Interactional Justice

The knowledge of interactional justice is evolving and advancing as continually as the development of the concept of organizational justice (Skarlicki & Folger, 1997). Interactional justice is defined by sociologist Schermerhorn (2012) as the "...degree to which the people affected by decision are treated by dignity and respect". Interactional justice discusses how information is communicated and the fair treatment towards employees (Rawls, 1971). According to Greenberg (2000), interactional justice is classified in two parts as interpersonal and informational. Interpersonal justice looks at sensitivity and impartiality in how information is communicated to an employee. Informational justice relates to the quality of the explanation that is given to employees explaining why a specific outcome happened.

Rathore (2017) has enlightened that perceived organizational justice has a considerable role in employee's organizational commitment of which distributive justice has a higher impact than other types in information technology sector. Perceived distributive and procedural inequality among employees will strongly impacted on the commitment of employees and their intention to leave (Hassan, 2002). Al-Kilani (2016) has also revealed in his study that organizational justice has a remarkable impact on intention to leave with mediating effect of organizational commitment

and job satisfaction. His research has exposed that there is a strong relationship between the three determinants of perceived organizational justice and employee's organizational commitment.

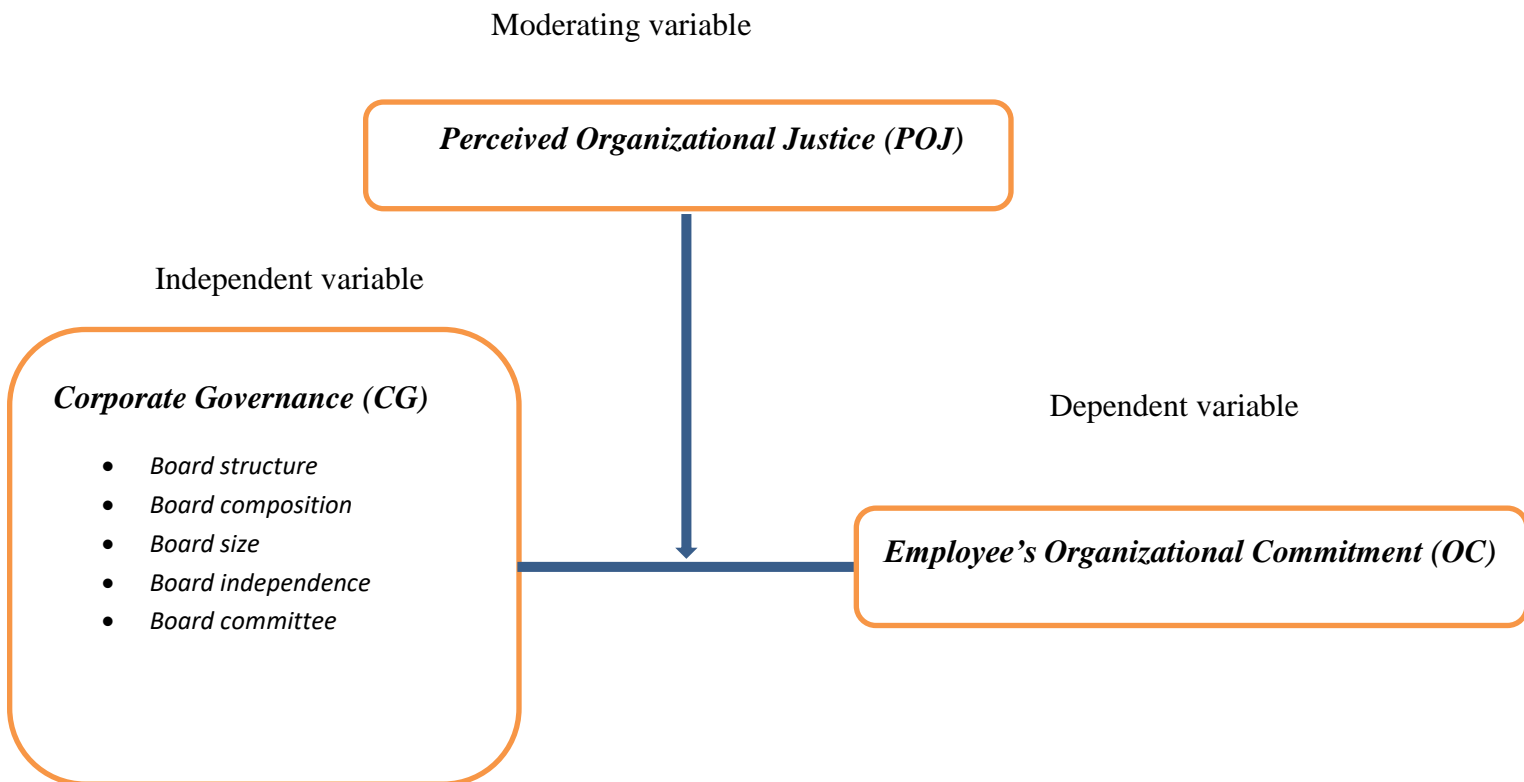
This research has assumed that when employees are involved in various areas of corporate governance, they will feel obliged to respond with higher levels of employee's organizational commitment. The researcher anticipated that without considering and exercising organizational justice in the board's room, their employee's organizational commitment could not be improved further by only improving good corporate governance activities as used. Board of directors are expected to be alert, discuss and give direction on how employees are treated in the Organization. In view of the above, the researcher inferred and recognised that organizations implementing good corporate governance along with addressing the three forms of organizational injustice at boards level would undisputable to delight and guarantees loyalty and enhance employee's organizational commitment to the organization they are serving. Cognizant to the above empirical findings and assumptions, the researcher thus put forward the following hypothesis:

H2a: Organizational justice moderates the relationship between corporate governance and employee's organizational commitment relationship, such that the effect of corporate governance on employee's commitment is strongest when appropriate level of organizational justice is implemented.

2.6 Conceptual Framework of the Study

Based on the overall review of related literatures and the theoretical framework, the following conceptual model in which this specific study is governed was developed. The model used in the current study offers a unique effect of corporate governance (CG) (independent variable) drivers which can lead to employee's organizational commitment (OC) (dependent variable) with the moderating role of perceived organizational justice (POJ).

Figure 2. 1 Conceptual framework of the study



Source: - Developed by the researcher based on theoretical and empirical literatures.

2.7 Summary

In nutshell, extensive literature review suggested that not much consideration has been given on thoroughly identifying the antecedents and predictors of employee's organizational commitment. The literature is uncertain as to which variables are the strongest predictors. Since committing employees is an appropriate issue, focused efforts need to be undertaken by business organizations in that direction. Dimensions and characteristics of committing employees were not rightly identified and studied. Literature review also revealed absence of an all-inclusive employee's organizational commitment model. Another gap identified was the absence of such a study in Ethiopia.

Research explored that by better understanding employee's organizational commitment, novel strategies could be designed that would improve levels of employee's organizational commitment, thereby possibly lessening the costly undesirable effects of attrition for employees in the human services activities. Unfortunately, study that investigates predictors of employee's organizational commitment explicitly in the human services field is inadequate. Further study is required to supplement our thought of employee's organizational commitment in human services settings and to recognise what the predictors and consequences of employee's organizational commitment might be.

CHAPTER THREE

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

In order to meet the objective stated in the preceding chapters, this chapter presents the methodology followed by the researcher. Particularly, the study area, the research design utilized the target population and sampling technique used, the research approach followed in collecting data and the statistical techniques used in analysing the collected data has been presented.

3.2 The Study Area

The study area was Awash Insurance Company (S.C.) (AIC). The Company was established in October 1, 1994 subsequent to the liberalization of Ethiopian economy. It came in to being with 456 founding members who recognized the critical role that financial institutions would play to create a sustainable economic development and raised an initial paid up capital of birr 15 million as one of the pioneer private insurance company. The Company provides services of both general and long-term (life) insurance products. The paid-up capital of the Company reached birr 277 million as at June 30, 2018. The number of individual and corporate shareholders exceeded 1,349 and has a network of 47 branches. The staff number of the Company has shown growth year-on-year and reached 560 on 30 June 2018. The Company is also a forerunner to introduce a core insurance system as of July 2013, thereby managing to network the head office and all branches (Company's annual report, 2017/18).

3.3 Research Design and Approach

3.3.1 Research Design

Research design is a framework that serves as a plan to study the research problem. The role of a research design is to manage the collection of relevant data with minimal consumption of effort, time and money considering the research objectives (Kothari, 2004).

Therefore, the research design used in this research is both descriptive and explanatory research. The descriptive research is used to identify and classify the elements or characteristics of the subjects. The explanatory research on the other hand often extends the descriptive approach to

suggest or explain why the employee's organizational commitment is influenced by different corporate governance and perceived organizational justice variables deployed in the study is important to show causal relationship between the dependent variable, independent variable and moderating variable.

3.3.2 Research Approach

As noted in Creswell (2009), in analytical study, there are three common approaches to business and social research namely, quantitative, qualitative and mixed methods approach. According to Polit and Hungler (2013), "quantitative research is a means for testing objective theories by examining the relationship among variables". In contrast, qualitative research approach is a means for exploring and understanding the meaning individuals or groups describe to a social or human problem with intent of developing a theory or pattern inductively. To end, mixed methods approach is an approach in which the researchers emphasize the research problem and use all approaches available to understand the problem (Creswell, 2009). Hence, based on the above discussions of the three research approaches and by considering the research problem and objective, in this study, this research used quantitative research approach as it involves hypothesis testing and statistical analysis such as regression and correlation. Predictive correlational research design was meant to investigate the relationship that exist between corporate governance and employee's organizational commitment to be moderated by perceived organizational justice.

A descriptive research is meant to display facts concerning the nature and status of a situation, as it exists at the time of the study and to describe present conditions, events or systems based on the impressions or reactions of the respondents of the research (Creswell, 2009). Descriptive research design has been used to find out the relationship b/n corporate governance and employee's organizational commitment moderated by perceived organizational justice. In this study, we adopted explanatory research design. As such, a research survey was undertaken among selected professional staff Awash Insurance Company (S.C).

For investigating the relationship between the corporate governance and employee's organizational commitment and the moderating role of perceived organizational justice in the relationship between these two, primary data was collected from Awash Insurance Company's full-time professional employees including executive managers, division managers, branch managers, seniors and junior staffs.

3.4 Data Source, Instrument and Collection

Primary source of data was used to undertake the study. The primary source was the information gathered through structured questionnaires from the staff sample chosen from Awash Insurance Company.

The respondents of the concerned organizations were approached through the Human Resource Department of the Company. In addition, necessary instructions and purpose of the research was explained on the first page of the questionnaire. Participants were assured that the provided information will be used only for research purposes. All respondents were guaranteed confidentiality and anonymity. The consent of the employees as well as their respective supervisors was taken before the administration of questionnaires.

The research instrument used for this study was closed ended questionnaire designed by the researcher. The survey method (self-managed questionnaire) was distributed among the professional employees of the Company in each of the selected branches. The questionnaire was divided into two parts. The first part sought to obtain the personal information of the respondents while the second part contained the questions that relate to the subject matter. The questionnaire contains only close-ended questions and was as simple as possible so that the respondents could supply the appropriate answer to each question. Questionnaires were divided into three sections; first section was about the corporate governance to be rated by respondents that the effectiveness of corporate governance structures in place and the second section was about employees perceived organizational justice. The third section was about checking the employee's organizational commitment. There were questions which were rated on five-point Likert type scale ranging from strongly disagree (1) to strongly agree (5). The questionnaires were sent either by electronic mail or in person to the professional employees of Company i.e. non-professional staff were excluded. Questionnaires were distributed in selected branches after the sample size was computed.

3.5 Population, Sample, and Sample Design

According to Hair, Joseph F., Robert P. Bush, and David J. Ortinau (2006), target population is said to be a specified group of people or object for which questions can be asked or observed made to develop required data structures and information. For this study, employees of Awash Insurance Company (S.C.) working at Addis Ababa and its locality (within 100 km radius from the Addis Ababa) in different directorates, divisions and branches were selected as a population.

The rising demand for research has created a need for an efficient technique of defining the sample size needed to be representative of a certain population. In the article “Small Sample Techniques,” the research division of the National Education Association has issued a formula for deciding sample size (Krejcie & Morgan, 1970). With the purpose of fixing the required sample size once population was identified, the formula used was as shown below:

$$S = \frac{X^2NP(1-P)}{d^2(N-1) + X^2P(1-P)}$$

Where:

S = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level which is $1.96 \times 1.96 = 3.841$.

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05); It is margin of error.

For this study, the researcher used the above formula by considering sampling technique to minimized sampling error (5%) and determine the sample size.

The unit of analysis for this study was the individual employees. The target population for this study was all permanent employees of Awash Insurance Company who were working in Addis Ababa city and its locality (within 100 km radius from the Addis Ababa). Non-clerical staffs (like janitors, security guards, messenger, etc) were also excluded since majority of the non-clerical staffs of the Company are temporary employees. According to the information obtained from the

Company as at June 2018, the total number of the target population of the study was 340. Based on the above formula, the calculated sample size used for the study was 181.

Regarding sampling design, it was assumed that the Company applied the same rewarding, performance evaluation, recruitment and selection as well as promotion system across the Organization. However, the interpersonal treatment and communication practice might vary from supervisor to supervisor. Considering the above assumption, in order to get valid representative of the targeted population, employees from headquarter i.e. five directorates and 5 divisions and twenty-five (25) branches from Addis Ababa and its locality (within 100 km radius from the Addis Ababa) were randomly selected. Then 181 survey questionnaires were distributed to randomly selected employees among these 25 branches and 5 directorates and 4 divisions.

Data were obtained from respondents from each process of the Company's directorates, divisions and branches consisting of junior level staff, senior level staff, branch/division managers and executive management using a stratified random technique by applying the principle of cluster sampling to select respondents from each divisions, directorates and branches. A total of one hundred eighty-one (181) questionnaires were distributed.

3.6 Sampling Frame and Sampling Technique

The sample designs are basically of two type i.e. non-probability sampling and probability sampling (Kohtari, 2004). In non-probability type of sampling, items for the sample are selected deliberately by the researcher; his choice concerning the items remains supreme. On the other hand, probability sampling is also known as 'random sampling' or 'chance sampling' where every item of the universe has an equal chance of inclusion in the sample (Kohtari, 2004). For the purpose of this study, the researcher used proportionate stratified random sampling design technique in which branches and directorates/divisions were classified in to six categories based on their customer base, transaction volume and number of years in operation. Based on the categories of the branches, total numbers of employees i.e. trainee, associate and junior customer service officers who are working in each branch are identified. From the total population the proportion of employees who are working in each category had been calculated. Finally, the sample respondents were selected based on simple random sampling technique.

Table 3. 1: Proportionate stratified random sampling technique

Gro up	Staff category	No. of branches (a)	Branch propn. (b=a/43*100%)	No of selected branches (Addis Ababa and its locality) c=(b/a(total))	Number of employees in each selected category (d)	Employee propn (e=d/340*100%)	Sampled employees in each category (f=d*181/340)	Non-responses and rejects	Responses Received
1	HQ	n/a	n/a	n/a	92	27%	49	7	42
2	Br-1	1	2%	1	39	11%	21	3	18
3	Br-2	5	11%	2	67	20%	36	6	30
4	Br-3	12	26%	6	58	17%	31	5	26
5	Br- 4	17	36%	9	48	14%	26	4	22
6	Br- 5	12	25%	6	36	11%	18	2	16
	Total	47	100%	25	340	100%	181	27	154

Source: - Awash Insurance Company (S.C.), HR Directorate (2019)

3.7 Description of Variables and Measurements

The aim of the study was to investigate the moderating role of perceived organizational justice in the relationship between corporate governance and employee's organizational commitment. The independent variable i.e. corporate governance studied by using the following dimensions: Board structure, board size, board independence, board composition, and board committees. The dependent variable was employee's organizational commitment which included affective, normative and continuance commitment as measurable dimensions. The independent and dependent variables were moderated by perceived organizational justice. Organizational justice was also measured through the following variables: procedural, distributive and interactive justice.

3.8 Research Instrument

This research used primary data as the principal source of information. As the unit of analysis was the individual, the researcher was interested to gather original data from a population and measuring the perceptions of individuals. A survey was deemed the most suitable design to achieve the objectives of the research.

Survey instruments, such as observations, face-to –face interviews, telephone interviews, and personally-administered questionnaires, structured questionnaires to group of individuals and mailing questionnaires were to be considered. As the researcher was interested to collect original

data from a population, the population were large to observe or interview. Thus, a survey by a questionnaire was considered the most appropriate method for measuring the perceptions of the workers, while minimising the possibility of researcher bias and providing a greater degree of subjectivity because of the direct response and feedback from the respondents that could be collected in short period of time and in an easier manner.

3.9 Questionnaire Design

For this research, the questions in the questionnaire were closed-ended or structured in order to ease the process of analysing the data from respondents. Thus, the results gathered from respondents increased the speed and accuracy of recording, as well as more comparable. The questions were adapted from previous research papers conducted by Barnett (2013) & Edward (2009) in relation to corporate governance, Wesolowski & Mossholder (1997) regarding perceived organizational justice and finally employee's organizational commitment were from Allen & Meyer (1990) questionnaires. The questions were designed by simple language to reduce confusion and doubts on the questions by the respondents.

The questionnaire consisted of two sections. Section one was general information. Section two contained questions of the three variables. These were corporate governance (independent variable), perceived organizational justice (moderating variable) and employee's organizational commitment (dependent variable).

The questions were formed in a five-point numerically scaled Likert-Type as 1=Strongly Disagree, 2=Disagree, 3=uncertain, 4=Agree, 5=Strongly Agree which allows respondents to indicate their level of agreement with the statement provided. Questionnaire was constructed and administered among selected staff of the Company. It directed to a better understanding towards the antecedents of Employee's Organizational Commitment of AIC. The researcher personally approached the Company and explained to the employees about the purpose of the study.

3.10 Validity and Reliability

Validity was concerned with how well the concept is defined by the measure(s) (Cronbach, and Meehl, 1955). Therefore, this study attempted to address validity through the review of literature and adapting instruments used in past researches.

According to Mugenda & Mugenda (1999), “reliability is a measure of the degree to which a research instrument yields consistent results after repeated trials. Reliability is about the internal consistency of research instruments; it is the ability of research instruments to produce similar results time and again under consistent conditions”. All items applied to measure constructs were taken from validated sources from literature. Data were initially cleaned for possible non-response, invalid answers, or any incomplete questionnaires and hence about 27 (15%) responses were rejected due to these problems.

To ensure the inner consistency of the present instrument, it was used the Cronbach’s alpha coefficient. Introduced by Lee Cronbach in 1951, the Cronbach’s alpha is a statistical instrument that gages the inner consistency of a questionnaire. For the application of this coefficient, it is a prerequisite that all the items of an instrument use the same measurement scale. The Cronbach’s alpha is achieved by the variance of individual components and by the variance of the components sum of each assessed, aiming to examine the likely relations between the items. As stated by Carmines & Zeller (1979), the closer the reliability coefficient to 1.00 is the better. In general, reliabilities less than 0.60 are considered poor; those in the range of 0.60 to 0.90 are considered good and acceptable. In this research, all the explanatory variables and dependent variable, met the above requirement. The alpha value for each question is computed and summarized in the below table.

Table 3. 2: Cronbach’s alpha value result

Variables	Number of items	Cronbach’s alpha (α)
Corporate governance (CG)	12	.764
Perceived organizational Justice (POJ)	9	.812
Organizational Commitment (OC)	12	.820

Source: own survey SPSS V23 (2019)

3.11 Research Analysis Technique

After the data was collected and coded, different data analysis techniques was used which included moderated hierarchical regression analysis and descriptive analysis with a package of Statistical Package for Social Sciences (SPSS). The responses to the closed ended questions on the questionnaire were analysed using frequency tables, charts, and simple percentage method.

The research hypotheses stated earlier were tested using the Pearson Correlation Coefficient to determine the strength, direction and statistical significance of correlation.

Descriptive statistics had been applied to enlighten the general information about the respondents' demographic situation and characteristics of the employees. Since the research involved both independent variable and moderator, moderated hierarchical regression had been applied to test the proposed hypotheses (Cohen & Cohen, 1983) with SPSS v23. In this analytical model, consecutive regression models were fitted first to see the direct effect of these variables on employee's organizational commitment, and then the next model incorporated independent variable and moderator. This analysis has shown the independent main effect of the explanatory variable and moderator on the dependent variable

3.12 Research Model Specification

To study the direct effect of corporate governance (CG) on employee's organizational commitment (OC) and the role of perceived organizational justice (POJ) as a moderator between CG and dependent variable on the same association, hierarchical regression has been in used with the following model.

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_n X_{ni} + \epsilon_i$$

Where: Y_i is dependent variable for i^{th} observation;

X_i is independent variable for i^{th} observation;

β_0 is the intercept;

β_s are regression coefficients

ϵ_i is the error term for i^{th} observation

This basic regression model is reworked in terms of the variables used in this research to show the association among them considering the research conceptual framework constructed.

$$OC = \beta_0 + \beta_1 CG + \epsilon \dots \dots \dots \text{Model 1}$$

$$OC = \beta_0 + \beta_1 CG + \beta_2 OG + \beta_3 CG * POJ + \epsilon \dots \dots \dots \text{Model 2}$$

Where:

OC is organizational commitment

CG is corporate governance

POJ is perceived organizational justice

CG*POJ is interaction effect between CG and POJ

3.13 Description of Variables

Dependent Variables

The dependent variable is “Organizational Commitment”.

Independent Variables

Whereas the independent variables used in the study is “Corporate governance”

Moderating Variables

The moderating variable is “Perceived Organizational Justice”.

3.14 Ethical Considerations

Conducting a research, its design, data collection approach, etc. necessitate proper ethical considerations (Saunders, Lewis, & Thornhill, 2009, p. 160). The researcher, therefore, required to be administered by the ethical research principles. From that point of view, respondents from the targeted insurance company have been clearly informed about the purpose of the research. The researcher has made sure that the covering letter contains information about the investigation, the objectives of the data collection, the voluntary participation of the respondents, declaration regarding confidentiality and anonymity, the promise to reveal the findings up on conclusion of the research and the contact details of the researcher.

CHAPTER FOUR

4 DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

As discussed in the previous chapters, this study tried to study the effect of corporate governance on the employee's organizational commitment. This study considered direct effect of CG and moderating roles of perceived organizational justice on performance of employee's organizational commitment. A total of 154 questionnaires were obtained and used for analysis. The non-response rate is fifteen percent (15%).

This chapter focused on presentation, interpretation and discussion of data collected through questionnaires. The data collected were analysed using SPSS version 23. Moderated hierarchical regression has been applied in the quantitative analyses and to test the hypotheses.

4.2 Demographic Composition of Respondents

Demographic information was collected from the Company's employees including managers. The demographic information of the respondents includes gender, age and educational level to see the demographic composition of respondents in the study area.

Accordingly, table 4.1 below presents frequency and percentage of background variables of participants participated in this study. A total of 154 participants involved in this study of which 51.9% were male and 48.1% were female. Relatively most participants (57.1%) were in the age range of 26-35 years old. 24.7% of participants were in the age group of 18-25 years old, 16.2% were in the age group of 36-45 years old while minorities of participants, 1.9%, were 45 and more than 45 years old. Regarding educational level of participants, more than three-fourth of participants, 79.2%, were having educational status of BSc/BA degree. 13.6% of participants were having educational level of MSc/MA degree. Minorities of participants, 5.8% and 1.3% were having educational level of college diploma and below college diploma respectively. With respect to service year of participants working in their organization, most participants, 57.8%, were having 1-5 years of work experience. 26.6% of participants were having 6-10 years of service in their organization. The remaining 12.3% and 3.2% were having 11-15 years and more than 15 years of service, respectively.

As far as position of participants is concerned, most participants, 58.4%, were working as a senior staff, 27.3% of participants were working as junior staff and 10.4% of participants were working as branch/division manager. The remaining minorities, 3.9%, of participants were working as executive manager.

Table 4. 1: Frequency and percentage of demographic/background variables

Respondents Demographic Information			
Background variable	Group	Frequency	Percentage (%age)
Gender	Male	80	51.9
	Female	74	48.1
Age	18-25	38	24.7
	26-35	88	57.1
	36-45	25	16.2
	>45	3	1.9
Educational level	Below college diploma	2	1.3
	College diploma	9	5.8
	Bsc/BA	122	79.2
	MSc/MA	21	13.6
Year of service	1-5	89	57.8
	6-10	41	26.6
	11-15	19	12.3
	>15	5	3.2
Position	Executive management	6	3.9
	Branch/Division manager	16	10.4
	Senior staff	90	58.4
	Junior staff	42	27.3

Source: own survey SPSS V23 (2019)

4.3 Independent T-Test and ANOVA test

The independent-samples t-test (or independent t-test, for short) compares the means between two unrelated groups on the same continuous, dependent variable. Table 4.2 shown below provides the actual results from the independent samples t-test of gender on organizational commitment i.e. dependent variable. You can see that the group means are statistically not significantly different because the value in the "Sig. (2-tailed)" row is greater than 0.05. i.e. $P = 0.679$. Looking at the Group Statistics table, we can see that those respondents who are male had similar levels of commitment with that are female, $t(152) = .414$, $p = 0.679$.

Table 4.2: Independent samples T-Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
OC	Equal variances assumed	.003	.960	.414	152	.679	.0414	.099	-.154	.236
	Equal variances not assumed			.415	151.546	.679	.0414	.099	-.154	.236

Dependent Variable: Organizational Commitment (OC)

Source: own survey SPSS V23 (2019)

On the other hand, ANOVA test compares the means between more than two unrelated groups on the same continuous, dependent variable. Table 4.3 shown below provides the actual results from the ANOVA test of age, educational qualification, years of service and position on employee's organizational commitment i.e. dependent variable.

Looking at the Group Statistics table 4.3, we can see that those respondents who are at different level of age statistically not had significantly different levels of commitment i.e. $P = .678$. Other demographic variables such as educational qualification, years of service and position have also found to be statistically had insignificant difference i.e. $P = .465$, $P = .430$ and $P = .904$, respectively. Therefore, all demographic variables were not found to be statistically significantly different.

Table 4.3: ANOVA test

Demographic Variables	Description	Between Groups	Within Groups	Total
Age	Sum of Squares	.574	56.646	57.220
	df	3	150	153
	Mean Square	.191	.378	
	F	.507		
	Sig.	.678		
Educational qualification	Sum of Squares	0.965	56.255	57.22
	Df	3	150	153
	Mean Square	0.322	0.375	
	F	0.858		
	Sig.	0.465		
Years of service	Sum of Squares	1.041	56.179	57.22
	df	3	150	153
	Mean Square	0.347	0.375	
	F	0.926		
	Sig.	0.430		
Position	Sum of Squares	0.214	57.005	57.22
	Df	3	150	153
	Mean Square	0.071	0.38	
	F	0.188		
	Sig.	0.904		

Dependent Variable: OC

Source: own survey SPSS V23 (2019)

4.4 Correlation Analysis

Correlation analysis shows the degree of association between variables and indicates the direction in which the variables associate - positively or negatively (Reimann, Filzmoser, Garrett, & Dutter, 2008). The correlation coefficient is a measure of this relationship and depends on the variability of each of the two variables. Because of covariance, correlation coefficient can take a number with + or – sign (Reimann et.al, 2008). One of the widely used methods to calculate a correlation coefficient is the Pearson product moment correlation. This method results in a number between –1 and +1 that expresses how closely the two variables are related, ± 1 shows a perfect 1:1 relationship (positive or negative) and 0 indicates that no systematic relationship exists between the two variables (Reimann et.al, 2008). In relation to the magnitude of correlation coefficient, Cohen (1988) stated that a correlation coefficient between 0.10 to 0.29 can be considered as small or weak, from 0.30 to 0.49 moderate and from 0.50 to 1.00 large or strong.

Table 4.4 shows correlation between dependent and independent variables. As indicated in this table, there was a statistically significant positive correlation between employee’s organizational commitment and corporate governance, and employee’s organizational commitment and perceived organizational justice. The correlation between organizational commitment and corporate governance was weak, $r = 0.213$, $p < 0.01$. This implies that as corporate governance improves in a given organization, organizational commitment also increases and vice-versa. Similarly, the correlation between employee’s organizational commitment and perceived organizational justice was also weak, $r = 0.275$, $p < 0.01$. Table 4.4 also shows correlation between independent variable and moderator variable. There was a positive statistically strong correlation between corporate governance and perceived organizational justice, $r = 0.655$, $p < 0.01$.

Table 4. 4: Pearson correlation

	OC	CG	POJ
OC	1		
CG	.213**	1	.
POJ	.275**	.655**	1

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

Source: Own Survey, SPSS v23, 2019

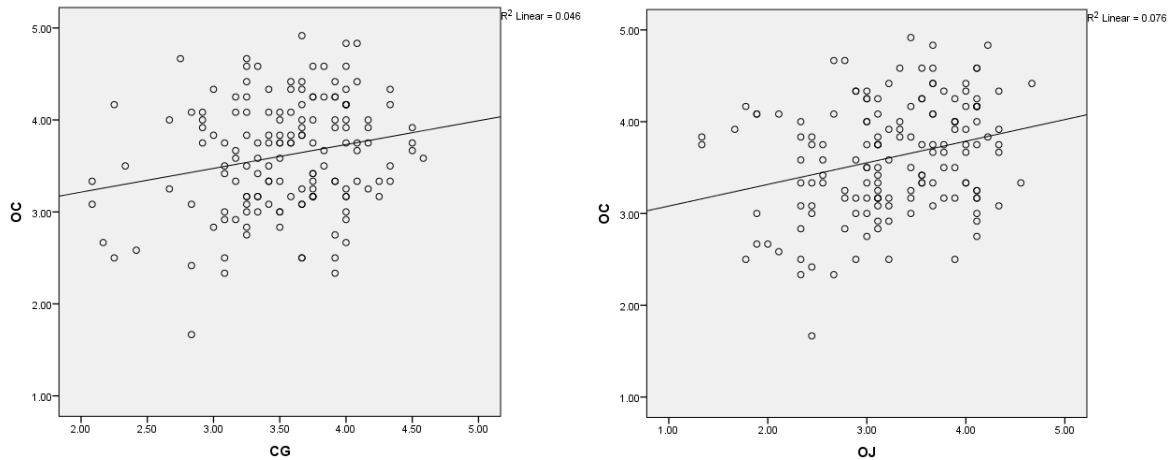
4.5 Diagnostics of Assumptions in Regression

Prior to conducting a regression analysis, the basic assumptions concerning the original data must be carried out. This is a compulsory precondition in explaining the relationships between dependent and explanatory variables. Five major assumptions must be checked and proved to be met reasonably well.

4.5.1 Linearity

The relationship between the dependent variables and explanatory variables need to be linear function to conduct linear regression analysis (Darlington, 1968). One technique of preventing nonlinearity is to use theory of previous research to inform the current analysis to backing in choosing the appropriate variables (Osborn & Waters, 2002). To test the linearity of associations, scatter plot diagram with line of fit can be used to see if the distribution can be characterised by linear relationship.

Fig 4. 1: Scatter plot with fit line

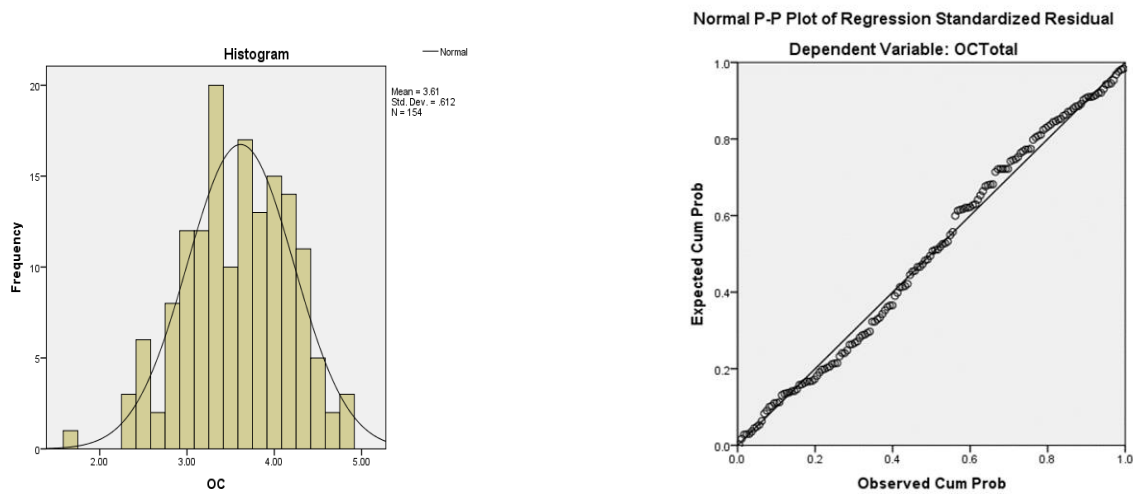


In this research, as indicated in Chapter Two, all the variables were selected from previous researches which applied linear relationship between the variables. Furthermore, as shown in Figure 2, all the three relationships between dependent and independent variables (corporate governance and perceived organizational justice) fit reasonably with linear pattern and it holds that linearity assumption is met.

4.5.2 Normality

Multiple regression assumes that variables have normal distributions (Darlington, 1968). This implies that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve (Keith, 2006). This assumption can be tested by looking at the P-P plot for the model together with histogram of the standardized residuals. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed.

Fig 4. 2: Histogram and p-p plot of standardized residuals



The histogram in Figure 4.2 above looks normal and in the P-P plots also the dots are reasonably closer to the normal line. The combination of both inspections support that the residuals are normally distributed.

4.5.3 Multicollinearity

Strong relationship between explanatory variables is a problem of multicollinearity and not acceptable for ordinary list square regression analyses

The variables (OC, CG and POJ) have shown significant relationship with each other which was not too high (see table 4.5). In addition, the assumption of multicollinearity can also be assessed using SPSS as part of multiple regression procedure. In the collinearity statistics section, Tolerance and VIF values are given. Tolerance is an indicator of how much of the variability of

the specified independent is not explained by the other independent variables in the model and is calculated using the formula $(1 - R^2)$ for each variable. If this value is small (less than 0.10) it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity. In the present study the tolerance value for each independent variable was not less than 0.10 therefore, this also suggests that the assumption of multicollinearity was not violated (see table 4.5).

Table 4.5: Collinearity Test

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	2.701	.339		7.975	.000		
CG	.071	.125	.059	.566	.008	.572	1.750
POJ	.201	.089	.237	2.280	.023	.572	1.750

a. *Dependent Variable: OC*

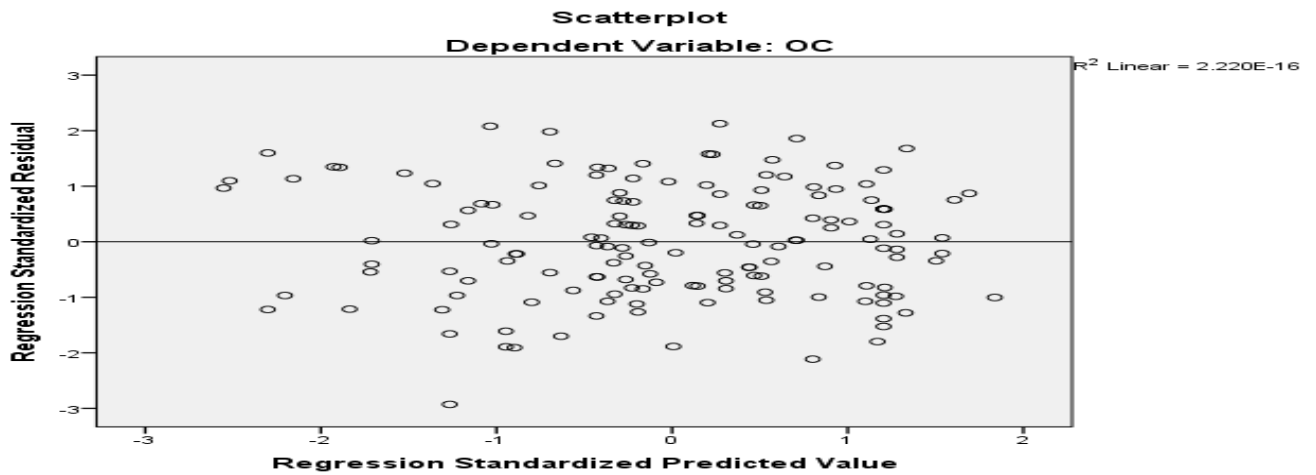
Source: Own Survey, SPSS v23, 2019

Variance-inflation factor (VIF) has also been checked and values are found smaller, which supports that multicollinearity is not a problem. Moreover, tolerance statistics in regression analysis helps to detect collinearity problem. Tolerance value runs from 0 to 1 and values closer to 1 indicates no multicollinearity problem (Keith, 2006). In this study all the tolerances are above 0.5 and, therefore, the amount of variation in that construct is not explained by other predictors. The two tests indicated that there is no multicollinearity problem (see table 4.5).

4.5.4 Homoscedasticity

"Homogeneity of variance" assumption or homoscedasticity. It states that the variances of the same variable, selected from independent samples, will be equal (Osborn & Waters, 2002). In regression analysis, this assumption states that the variances of the Y_s , for each X , will be equal. The standard suggestion for examining the assumption of homoscedasticity in regression analysis is to plot the predicted Y values against the residual values. Heteroscedasticity is indicated when these values spread or fan out from left to right or right to left. The scatterplot in figure 4.3 shows that the points are concentrated around 0 which shows that no violation of homoscedasticity.

Fig 4. 3: Scatterplot of standardized residuals



4.5.5 Autocorrelation

According to Stevens (2009), autocorrelation or independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently. Durbin-Watson statistic can be used to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For this assumption to be met, the DW value needs to be close to 2. Values below 1 and above 3 are problematic and causes for concern. Table 4.6 below reveals that errors are responding independently, and autocorrelation is not a concern with DW of 1.644

Table 4. 6: Durbin Watson statistics

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.213 ^a	.046	.039	.59941	.046	7.257	1	152	.008	1.644
2	.279 ^b	.078	.065	.59122	.032	5.242	1	151	.023	

a. Predictors: (Constant), CG

b. Predictors: (Constant), CG, POJ

c. Dependent Variable: OC

Source: Own Survey, SPSS v23, 2019

4.6 Regression Analyses and Hypotheses Testing

To ensure proper model specification and give alternative explanations for variations in employee's organizational commitment, demographic variables i.e. age, educational qualification, years of service and position, were checked for their level of influence. The result presented in table 4.7 demonstrated that the demographic variables, however, are found to be statistically not significant at $p = 0.05$. therefore, none of them was considered as controlling variables to influence the result.

Table 4. 7: Demographic variables' coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	3.403	.525		6.477	.000	2.365	4.442
Age	.047	.086	.054	.552	.581	-.122	.217
1 EduQualification	-.061	.102	-.050	-.602	.548	-.262	.140
YearOfService	.041	.075	.055	.549	.584	-.106	.189
Position	.077	.085	.092	.906	.366	-.091	.245

a. Dependent Variable: OC

Source: Own Survey, SPSS v23, 2019

4.6.1 Moderated Hierarchical Regression

According to Jaccard & Turrisi (2003), hierarchical regression analysis lets for a comparison between alternative models with and without interaction terms, whereby an interaction effect only exists if the interaction term contributes significantly to the variance explained in the dependent variable over the main effects of the independent variables. Hierarchical moderated regression has been therefore used to test the research hypotheses as interaction effect of explanatory variables.

4.6.2 Hypothesis Testing

The two proposed hypotheses in chapter 1 and empirically supported in chapter two of this study were checked and concluded as here below.

H1_a: Corporate governance is positively related to employee's organizational commitment in that organizations with higher level of corporate governance have higher employee's organizational commitment.

As shown in table 4.8 below, the value of R square was 0.046, P=.008 in model 1. This value tells how much of the variance in the dependent variable, organizational commitment, is explained by the model 1 CG as predictor variables. Model 1 in table 4.8 shows that corporate governance had statistically significant effect/influence in predicting the criterion variable, organizational commitment (unstandardized $\beta = 0.259$, $p = 0.008$).

Table 4. 8: Direct effect of corporate governance

Model Summary and coefficients									
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	.213 ^a	.046	.039	.59941	.046	7.257	1	152	.008
Coefficients									
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	2.698	.343		7.855	.000	2.019	3.376	
	CG	.259	.096	.213	2.694	.008	.069	.448	1.000 1.000

a. Dependent Variable: OC

Source: Own Survey, SPSS v23, 2019

H2_a: Organizational justice moderates the relationship between corporate governance and employee's organizational commitment relationship, such that the effect of corporate governance on employee's commitment is strongest when appropriate level of organizational justice is implemented.

Table 4. 9: Pearson Correlation of the interaction effect

		Pearson Correlations			
		OC	Zscore(CGBT)	Zscore(POJB T)	Interaction
Pearson Correlation	OC	1.000	.213	.275	-.050
	Zscore(CG)	.213	1.000	.655	-.361
	Zscore(POJ)	.275	.655	1.000	-.230
	Interaction (CG*POJ)	-.050	-.361	-.230	1.000
Sig. (1-tailed)	OC	.	.004	.000	.267
	Zscore(CG)	.004	.	.000	.000
	Zscore(POJ)	.000	.000	.	.002
	Interaction (CG*POJ)	.267	.000	.002	.

As shown in table 4.9 above, there was statistically no correlation between interaction effect of CG and POJ (CG*POJ) on employee’s organizational commitment i.e. $r=-0.50$, $p>.05$. However, the remaining variables were all correlated.

As shown in model 2 (table 4.10 below), when the moderator variable i.e. organizational justice added to the model, the role of the moderator variable became statistically not significant, ($\beta = 0.016$, $p=0.73$). The moderated hierarchical regression results in model 2 shows that the addition of the variable to the model explained additional variances ($\Delta R^2 = 0.01$, $p = 0.73$) above and beyond the dependent variable in the relationship between corporate governance and organizational commitment and this difference is statistically insignificant. The total variance increases by less than 1% i.e. .001 in model 2 in explaining the dependent variable (organizational commitment). Therefore, perceived organizational justice did not moderate the relationship between corporate governance and employee’s organizational commitment. However, when organizational justice together with corporate governance being regressed directly to employee’s organizational commitment, it had a positive and statistically significant impact ($\beta = 0.203$, $p<0.05$). The basic reason is that, there is no relationship between the interacting effect (CG * POJ) and employee’s organizational commitment and hence the regression result also turned to be insignificant.

The positive but insignificant moderating interaction effect of organizational justice between corporate governance on employee's organizational commitment in this study opposed the arguments forwarded on hypothesizing based on previous reviewed empirical researches as mentioned in an empirical analysis in chapter two by Rathore (2017) and in other findings (Hassan, 2002; Al-Kilani, 2016). The effects of interaction terms turned out statistically insignificant when they are incorporated in the model 2. Based on the findings of this study, board of directors of Awash Insurance Company (S.C.) is therefore should not be much worried about the employee's organizational justice while enhancing the implementation of corporate governance to improve employees' commitment as its contribution is found to be insignificant.

Table 4. 10: Organizational justice interaction effect

Model Summary and coefficients										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.279 ^a	.078	.065	.59122	.078	6.351	2	151	.002	
2	.280 ^b	.078	.060	.59295	.001	.120	1	150	.730	1.649
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	2.701	.339		7.975	.000	2.032	3.371		
	CG	.071	.125	.059	.566	.572	-.177	.319	.572	1.750
	POJ	.203	.089	.237	2.290	.023	.028	.378	.572	1.750
2	(Constant)	2.646	.375		7.047	.000	1.904	3.388		
	CG	.084	.131	.069	.640	.523	-.175	.343	.525	1.906
	POJ	.203	.089	.236	2.280	.024	.027	.378	.571	1.750
	Interaction (Standardized (CG*POJ))	.016	.045	.029	.346	.730	-.074	.105	.869	1.150

a. Predictors: (Constant), POJ, CG

b. Predictors: (Constant), POJ, CG, Interaction, c. Dependent Variable: OC

4.6.3 Discussions

The positive and significant direct effect of corporate governance on employee’s organizational commitment in this study is consistent with prior empirical researches as mentioned in the empirical analysis on corporate governance and employee’s organizational commitment relationship by Nmashie et al., (2014) and in other findings (Coleman, 2014; Adamidis, 2016; Vance 1983; Block, 2016; Shahid, 2013). Therefore, the hypotheses proposed was supported.

The insignificant moderating effect of perceived organizational justice in the relationship between corporate governance and employee’s organizational commitment in this study is not in agreement with prior supposed empirical researches as mentioned in the empirical analysis on organizational justice and employee’s organizational commitment relationship by Rathore (2017) and in other findings (Hassan, 2002 and Al-Kilani, 2016). Therefore, the hypotheses proposed was not supported.

4.6.4 Summary of the Regression Analysis and Hypothesis Testing

The summary of the hierarchical regression analysis outputs is summarized in table 4.11 below. The table illustrates all the models ran to see the impact of independent and moderating variables on dependent variables with coefficients of the predictor variables, degree of explanation, change in the degree of explanation and their statistical significance for ease of reference.

TABLE 4. 11: Summary results of moderated hierarchical regression

Variables	Model 1	Model 2
Direct Effect		
CG	with $\beta=0.259$, $P=.008$ ($P<.05$)	
R square	$R^2=0.046$, $P=.008$ ($P<.05$)	
Interaction effect		
CG*POJ		with $\beta=0.016$, $P=.730$ ($P>.05$)
R square	$R^2=0.078$, $P=.002$ ($P<.05$)	$R^2=0.078$, $p=.730$ ($P>.05$)
ΔR square		$\Delta R^2=0.001$, $p=.730$ ($P>.05$)

Source: Own Survey, SPSS v23, 2018

The hypotheses of the study are tested through moderated hierarchical regression and the results are summarized in table 4.12 below:

Table 4. 12: Summary of hypotheses

Hypotheses	Result
<p><i>H1_a: Corporate governance is positively related to employee's organizational commitment in that organizations with higher level of corporate governance have higher employee's organizational commitment</i></p>	<p><i>Hypothesis supported</i></p>
<p><i>H2_a: Organizational justice moderates the relationship between corporate governance and employee's organizational commitment relationship, such that the effect of corporate governance on employee's organizational commitment is strongest when appropriate level of organizational justice is implemented.</i></p>	<p><i>Hypothesis not supported</i></p>

CHAPTER FIVE

5 FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter presents findings, conclusion and some relevant recommendations to practice as well as for future researchers based on objective of the study mentioned in Chapter One.

5.1 Summary of Findings

In this research, the effect of corporate governance (CG) on employee's organizational commitment has been investigated both as direct main effect and moderating role with organizational justice. These relationships are examined using randomly selected data from Awash Insurance Company. All the variables and the respective measurements in this research are based on theory and adopted from literatures. The reliability and validity of the constructs and items were tested as per the recommendations made in literatures. To test the research hypotheses, hierarchical regression analysis has been applied and the findings are summarized as follows.

- Before the regression analysis, the correlation between variables examined and it was confirmed that there is weak association between the independent and the dependent variable i.e. $r=.213$, $p < 0.01$. This is an indication that corporate governance has positive relationship with employee's organizational commitment. The correlation between the dependent and moderator variable is weak but positive i.e. $r=.275$, $p < 0.01$. The correlation between the independent and moderator variable is strong and significant i.e. $r=.655$, $p < 0.01$ and are free from multicollinearity problem.
- Corporate governance has positive and statistically significant (standardized $\beta = 0.213$, $p=0.008$) effect on employee's organizational commitment. Corporate governance explained high variance in firm's performance ($R^2 = 0.46$, $p=0.008$), this supports hypothesis 1 and it is in line with other findings in literatures as mentioned in empirical analysis of Nmashie et al., (2014) and other findings (Coleman et al., 2014).
- The interaction effect of the moderator variable on employee's organizational commitment were tested and has positive but statistically insignificant impact (with $\beta =0.029$, $p=0.73$). Together with CG, this moderator explained not significant variance in

employee's commitment ($\Delta R^2 = 0.001$, $p=0.73$). The positive but insignificant moderating role of organizational justice in the relationship between corporate governance on employee's organizational commitment in this study rejected the proposed hypothesis.

5.2 Conclusion

Based on the above findings, the following conclusions are made:

- From the demographic related profiles, first it is concluded that the gender participation in the Company is reasonably balanced, second it is also understood that majority (93%) of the respondents' educational level is above diploma to easily understand the survey instrument and reply.
- Independent samples t-test for gender was checked and found to be insignificantly different between female and male respondents. Besides, ANOVA test has also confirmed that age, educational qualification, years of service and position among different groups were found to be statistically insignificantly different for the Company.
- The demographic variables such as educational qualification, years of service, position and age were found to be statistically insignificant and hence not controlled in the relationship between corporate governance and employee's organizational commitment. Therefore, the study established that employee commitment levels do not differ across different demographic variables.
- The correlation analysis showed that there is an association between corporate governance and employee's organizational commitment. In line with hypothesis one, the findings of the regression analysis have confirmed this result. It is, therefore, concluded that corporate governance determinants play substantial role in employee's organizational commitment. This direct effect relationship is also supported by other literatures by Nmashie et al., (2014) and in other findings by Coleman, et al., (2014).
- This study rejected the inclusion of moderating effect of corporate governance and organizational justice in models of employee's organizational commitment. The results have important implications for assisting managers and companies to better comprehend employee commitment.

- This study led to the assumption that the direct effects of corporate governance are factors of employee commitment in Awash Insurance Company (S.C.) Corporate governance theory serves as reliable base encompassing the impact of their determinants (board size, structure, independence, composition and committees) on employee commitment.
- The study revealed that organizations where employees are fairly treated provide individuals with the room and incentive to commit and associate more of themselves into their organization.
- This research has shown that when employees are involved in various areas of corporate governance, they feel highly motivated to respond with higher levels of commitment.
- The study discovered that when employees have high perceptions of justice in their organization, they are more likely to feel obliged to also be fair in how they perform their roles by giving more of themselves through greater levels of commitment. On the other hand, low perceptions of fairness are likely to cause employees to pull out from their organization.
- The study finally revealed that when employees believe that their organization is concerned about them and cares about their well-being, they are likely to respond by attempting to fulfil their responsibilities to the organization.

5.3 Recommendation

Based on the findings and the conclusions made before, the following recommendations are provided:

- The Company should establish commitment levels of its employees in order to identify gaps and take appropriate measures to bridge the identified gaps by engaging experts from human resource area.
- The Company should focus on enhancing good corporate governance i.e. maintaining proper number of board size, restructuring board's organ, solidification of board's independence, improving board's composition and maintaining the quality and number of board committees by adapting governance practices of reputable local and international similar companies.
- Since corporate governance and organizational justice play an important role in reflecting the employee commitment, the Company needs to enhance their governance practices and

justice policy to be aligned with its own Company's objective. Broadly, the study showed that, employees are not only interested on the benefits entitlement and compensation packages offered by the Company, but they also seek for overall organisational governance and justice.

- For the Company, it is especially important to be predictable and consistent in terms of the distribution of rewards and job resources, and interactions as well as the procedures used to allocate them.
- Even though organizational justice has positive and significant direct impact on employee's organizational commitment, the Company could benefit from prioritizing other factors over organizational justice as a moderator.
- The Company should focus on building and strengthening supportive and trusting interpersonal relationships as well as fair-minded management.
- The Company and employees share a reciprocal relation, where both are dependent on each other to satisfy their needs and goal. Therefore; improving employee commitment should not be a onetime exercise, but a continuous process of learning, improvement and action.

5.4 Limitations of the Study

Despite the significant findings reported in the study, we acknowledge that the study is not without limitations. First, the study was limited to Awash Insurance Company (S.C.) in Ethiopia. While the Company shares several similarities with other companies in the Country, we cannot generalize our findings to other insurance companies and other sectors such as banking, telecommunication's and manufacturing's in Ethiopia.

Therefore, future research should be conducted on a larger scale by considering more state and private insurance companies and other sectors from all over the country.

Few of the limitations are;

- The study was limited to quantitative method, cross-sectional survey and small sample size.

- The study does not include other private and state-owned insurance companies as their organizational policies and orientation have been found to be different from Awash Insurance Company (S.C.).

5.5 Future Research Potential

- The scope of the study can be further increased and enriched by including more variables under the theoretical framework in future studies like rewards and leadership factors.
- To improve the empirical part, multiple measurement methods including in-depth interviews, focus group discussions, nominal group technique etc. could be considered.
- The sample can be bigger and broad based to increase the representativeness of the study.
- The scope of the study can be further broadened by incorporating various views of employee commitment such as job-commitment.
- There might be a certain degree of variation between different industry types. To get the detail and complete picture of the CG-OC relationship with POJ as a moderator, it is advisable to disaggregate the research by industry type.
- The scope can also be further improved by examining the moderating role of organizational justice at construct level in the relationship between corporate governance and employees' organizational commitment.
- To improve the result of the research, corporate governance could be further broken down to each construct and examined their impact on employee's organizational commitment subject to organizational justice as a moderator.

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Annex I: Questionnaire

Dear Respondent

I am a graduate student at Addis Ababa University College of Business and Economics. Currently, I am conducting a research titled: 'The Moderating Role of Perceived Organizational Justice in the Relationship between Corporate Governance and Employees Organizational Commitment: The Case of Awash Insurance Company (S.C.) (AIC)' as a partial fulfillment of requirements for the award of Executive Master of Business Administration.

The purpose of this questionnaire is to gather data for the proposed study, and hence you are kindly requested to assist the successful completion of the study by providing the necessary information. Your participation is entirely voluntary, and the questionnaire is completely anonymous. I assure you that the information you share will stay confidential and only used for the academic purpose. So, your genuine, frank and timely response is vital for the success of the study.

I want to thank you in advance for your kind cooperation and dedication of your precious time to fill this questionnaire.

Sincerely yours;

Bizuayehu Tadesse

Note:

1. No need of writing your name.
2. Put this or mark on the appropriate block/cell both for multiple choice and Likert scale questions.
3. If you need further explanation, please contact me through e-mail: bitadesse17@gmail.com.

Part – I: Demographic Information

1. Age: 18-25 years 26-35 years 36-45 years above 45 years
2. Sex: Male Female
3. Educational Qualification: Below college diploma College diploma
 First Degree (BSc, BA) Second Degree (MSc, MA) PHD
4. Year (s) of service in AIC: 1 to 5 years 6 to 10 years 11 to 15 years
 above 15 years
5. Current position in AIC: Executive Management Branch/Division Manager
 Senior staff Junior staff

Part – II:

Please express your level of agreement in the following questions by putting ‘_√’ or ‘_X’ mark in the appropriate cell. **1= Strongly Disagree, 2= Disagree, 3= Uncertain, 4= Agree, 5= Strongly Agree**

No.		Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
	Corporate Governance (CG)					
CG1	Organising boards as executive and supervisory board with distinct responsibility is critical.					
CG2	It is unfair to deny employees of the Company to be member of the Board.					
CG3	The board is organized with adequate number of directors.					
CG4	Views from the members of the Board are encouraged and discussed.					
CG5	Directors are free from any interfere to act in the best interests of the Company.					
CG6	Members of boards are involving in a day to day activities of the Company.					

CG7	The expertise and skills needed to be an effective board are adequately represented.					
CG8	Board members have a working knowledge of the Company's by-laws.					
CG9	The Company actively recruits new board members based on identified needs.					
CG10	The board's committees are properly established with adequate number.					
CG11	The board's committees perform their delegated roles and report back to the Board					
CG12	The committee has satisfactory expertise, support and access to key staff and information.					
	Perceived organizational Justice (POJ)					
POJ13	I believe my work schedule is fair.					
POJ14	I feel my rewards are fair when compared to those who work the same level of work as I do.					
POJ15	I consider my workload to be quite fair.					
POJ16	Promotion at my Company are handled fairly.					
POJ17	My supervisor makes sure that all employee concerns are heard before Job decisions are made.					
POJ18	All jobs decisions are applied consistently to all affected employees.					
POJ19	Employees can challenge, or appeal job decisions made by their managers.					
POJ20	When decisions are made about my job, my supervisor treats me with kindness,					

	respect, dignity and consideration.					
POJ21	My supervisor offers adequate justification for decisions made about my job.					
	Organizational Commitment (OC)					
OC22	I would be very happy to spend the rest of my career with this Company.					
OC23	I enjoy discussing about my Company with people outside it.					
OC24	I really feel as if this Company's problems are my own.					
OC25	I think that I could easily become attached to another company as I am attached to this Company.					
OC26	I do not feel like 'part of the family' at my Company.					
OC27	I am not afraid of what might happen if I quit my job without having another one lined up.					
OC28	It would be very hard to me to leave my Company right now, even if I wanted to.					
OC29	Too much in my life would be disrupted if I decided to leave my Company now.					
OC30	One of the major reasons I continue to work for this Company is that leaving would require considerable personal sacrifice another organization may not match the overall benefits I have here.					
OC31	Jumping from organization to organization does not seem at all unethical to me.					

OC32	One of the major reasons I continue to work for this Company is that I believe that loyalty is important and therefore feel a sense of moral obligation to remain.					
OC33	If I got another offer for a better job elsewhere, I would not feel it was right to leave my Company.					

Thank you very much for your kind participation!