

## **THE INFLUENTIAL ROLE OF CORPORATE GOVERNANCE ON ORGANIZATIONAL PERFORMANCE**

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### **ABSTRACT**

The existence of ethical concerns in organizational governance policies, practices and the general code of conduct which companies follow has brought about the need for researcher to assess their implications on the management of firms. Present study aims to empirically test the relationship between corporate governance and organizational performance in India. For this the study employed the survey research design administered on 600 respondents which were cut across employees of different organizations situated in the capital of India, Delhi. Out of which 455 questionnaires were duly filled, returned and analyzed. The study revealed that adoption of ethical code of conduct and employee adherence to rules and regulations enhance organizational performance. The study also revealed that there is a statistically significant relationship between corporate governance and organizational performance. The outcomes of the study will prove to be essential in helping Indian governance policy makers to take note of different study outcomes and practices to improve the efficiency of the organizations performance.

**Keywords:** Corporate governance, Ethics, Organizational performance

## Introduction

Cultural morals give the bases on which a humanized state exists. Without these morals human progress breakdown. The equivalent is valid for business morals to the business association. It provides the footprint on which organizational culture and structure is founded (Dombin, 2012). Ethics are code of values and principles that governs the action of a person, or a group of people regarding what is right versus what is wrong. Business ethics is the behaviour that a business adheres to in its daily dealings with the world. They apply not only to how the business interacts with the world at large, but also to their dealings with customers (Dombin, 2012). Corporate governance aims at facilitating effective monitoring and efficient control of business. Its essence lies in fairness and transparency in operations and enhanced disclosures for protecting interest of different stakeholders (Arora and Bodhanwala, 2018).

The development of business association depends on its sound moral set of accepted rules set to direct both administration and worker in its every day exercises. The importance of business ethics in this modern-day business organization have been brought to light by corporate fraud unethical issue that span the corporate world in the last 12 to 15 years, which have led many regulatory authorities to stipulate rules, law and standard which businesses must adhere to in their day-to-day governance (Ponemon & Michaelson, 2000; Steve, Steensma, Harrison & Cochran, 2005).

Earlier good governance was not a mandated legal requirement and adherence was voluntary, but owing to corporate failures on account of unethical practices at top level management, most of the countries have initiated mandatory norms and guidelines to strengthen corporate governance framework. The Cadbury Committee report in United Kingdom (UK) in 1992 and Sarbanes Oxley (SOX) Act in United States (US) in 2002 are considered a seminal development in corporate governance regulations followed by similar codes of good governance in rest of the countries.

Some developing economy are still struggling to come out of the economic meltdown. As noted by Primeaux and Stieber, (1994) “the business enterprise is besieged by popular misconceptions as well as by legal, religious and academic theorists anxious to prove that business seeks only self-serving aggrandizement, i.e., to maximize its profits and to do so at any cost to the consumer, the community and the environment”. Business encounters many ethical dilemmas in their daily business activities, some are significant while others are not. There is high conflict between ethics and business.

Morals might be thought of as a type of good way of thinking the methodical investigation of good leads, standards, commitments, understandings, qualities and standards. At a cultural level there are different issues that shape the way of life or good air of associations. In order to understand a particular public sector organization, then, it is necessary to understand and develop critical pictures of the ethos

of organizations – the sets of relatively shared values and norms that are expressed and negotiated by the participants themselves (Wallace et al. 1999).

A business issue exists when an authoritative chief faces a decision between at least two alternatives that impacts and affect (a) the organization's profitability and competitiveness and (b) its stakeholders.

Ethical Issues in Business involves:

- Employee and Employer relations; Employer and Employee relations
- Company and Customer relations; Company and Shareholder relations
- Company and Community Interest

### **Corporate Governance**

Corporate governance is the system of rules, practices and processes by which a firm is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. The pillars of successful corporate governance are: accountability, fairness, transparency, assurance, leadership and stakeholder management.

Commonly accepted principles of corporate governance include:

- Rights and equitable treatment of shareholders. Organizations should respect the rights of shareholders and help shareholders to exercise those rights.
- Interests of other stakeholders: Organizations should recognize that they have legal and other obligations to all legitimate stakeholders.
- Role and responsibilities of the board: The board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance.
- Disclosure and transparency: Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability.
- Integrity and ethical behavior: Organizations should develop a code of conduct for their directors and executives that promote ethical and responsible decision-making.

### ***Corporate Governance in India***

Corporate Governance in India is a set on interior controls, arrangement and techniques which structure the system of an organization's tasks and its dealings with different partners, for example, clients,

the board, workers, government and industry bodies. The structure of such approaches ought to be, for example, to maintain the standards of straightforwardness, uprightness, morals and genuineness. Corporate Governance is the spirit of an association and must be clung to while enjoying any strategic approaches.

Keeping pace with the global developments, India has witnessed a series of such reforms in corporate governance. One such reform is introduction of clause 49 of listing agreement by Security Exchange Board of India (SEBI), apex regulatory authority of stock market in India. This clause outlines corporate governance structures for listed companies in India. It has led to significant implications on independent directors on board, enhanced disclosure requirements, making audit committees more powerful etc. Further, corporate governance initiatives are strengthened with the introduction of revised Company Act, 2013. Though, corporate governance norms and other disclosure guidelines have been introduced in India but owing to weak implementation, the extent of compliance by the Indian companies is still questionable. Countries with weak legal norms have suffered higher depletion in exchange rates and stock market decline (Johnson, Boone, Breach and Friedman, 2000).

### **Importance of Corporate Governance**

- **Risk Mitigation and compliance**

There is a direct relationship between governance, risk mitigation and compliance. On the off chance that an organization is represented based on sound standards, it will normally work effectively and guarantee consistence with each statutory law and rule. Being on track with the approaches and law guarantees that the organization is supported well for any vulnerability and along these lines has hazard moderation components set up. Progressively trained an organization is in its activities, the better it is put to confront any hazard or interruption emerging out of political, mechanical and financial occasions.

- **Enhances shareholder value**

While there is no established relation between corporate governance and market value of a company, it does enhance shareholder satisfaction. Corporate Governance in India plays a key role in protecting valuations of a company because the ultimate goal of good governance is to maximise the interest of all stakeholders. The value accumulated by the company over the years can be wiped away by a single unlawful incident, thus internal controls at the right place is mandatory.

- **Better image during economic downturns**

During the most recent couple of months, we have heard numerous accounts of banking fakes and monetary acts of neglect. It is nevertheless normal for individuals to accept that all banks and money related foundations are associated with all these, which isn't valid. It is just when an association can guarantee individuals about their characteristic administration rehearses that individuals will trust them. Dependability that has been set up over ages assumes a solid job in maintaining the organization's picture notwithstanding during predicament.

- **Enhanced organizational effectiveness**

Corporate Governance is an important determinant of industrial competitiveness. Nowadays there are many questions raised on the way a company is governed. Better governance ensures enhanced corporate performance and better economic results. Corporate Governance lays the foundation for behaviour of the company, the utilization of resources, product/service innovation and overall corporate strategies.

- **Crucial during mergers & acquisitions**

Corporate Governance in India plays a critical role during restructuring events such as mergers and acquisitions. Not only does corporate governance of a company helps to differentiate between good deals from bad ones, but mergers & acquisitions activity by a company with good corporate governance is better received by stakeholders in the market.

Following Table 1 provide framework of corporate governance in India:

**Table 1: Framework of Corporate Governance in India**

S.NO.	ELEMENTS	ORGANIZATIONAL MODEL
1	Values	Accountability, Transparency, Honesty, Integrity, Diligence and Excellence
2	Principles	Governance policies, Ethical conduct of board
3	Laws	Company Act 1956 and 2013 SEBI and Clause 49
4	Good Governance Mechanisms	Leadership, Control and Monitoring, Proper Direction, Authority, Accountability

### ***Significance of the study***

The worldwide money related emergency of 2008, which saw the breakdown of numerous budgetary foundations, organizations and worldwide economies, carried with it a substantive test to strategy producers and called for advancement and authorization of powerful moral instruments. Developing markets like India which would be able to manage the cost of the outcomes of a frail arrangement of corporate administration along these lines started a procedure of genuine reconsidering on the surviving moral instruments. There emerged a clear recognition of the role of government and regulators to deliver an effective legal system for market regulations.

### ***Research Problem***

Even where Business ethics are available to guide the activities of business management, there are still situations where these business ethics are not followed or adhered to by business manager. In such a case there will undoubtedly be business breakdown, extortion and distortion which nullify corporate development. The discipline of corporate governance has attracted worldwide attention following the financial scams such as Enron, WorldCom and Tyco. The global business environment is facing an increasing influence of ethical behaviors on the principles of corporate governance. The recent global scandals in various multinational firms are linked to the increased calls for the strengthening of the corporate governance practices. The frauds in these associations have been tremendously connected to the disappointment by the political overseeing specialists to execute without support the standards of corporate administration. Financial blunder in the case of IT giant Satyam in India has shaken the Indian system out of its complacency and failed corporate governance practice and unethical practices has become the center stage for new and stricter reforms. Since there is a growing concern of business ethics in relation to long term corporate sustainability and growth, then it is pivotal to embark on present study to empirically test the relationship between corporate governance and organizational performance in India.

### ***Review of literature***

In the previous two decades, corporate governance has emerged as a vital issue in the light of global wave of privatization and a chain of worldwide corporate failures and scandals. Research concentrated entirely on the corporate governance issues and concerns in India has had gained thrust only in recent time, after Indian economy was liberalized (Bhardwaj and Rao, 2014).

According to Tricker (1984), there are two aspects of corporate governance: conformance and

performance. Conformance consists of two elements: monitoring and supervising executive performance; and maintaining accountability. While performance consists of strategy formulation and policy making.

Cadbury Report in the UK (1992) identified three important principles of corporate governance: openness, integrity and accountability. This Cadbury Report is a report to Cadbury Committee, a formal committee which was set up to address financial aspects of UK private sector corporate governance. This report was used as foundation for the first public sector corporate governance framework developed by British Chartered Institute of Public Finance and Accountancy in 1995 (Percy, 1994). One of the weakness of this framework is that they are based on broad principles (openness, integrity and accountability) instead the detailed one.

OECD (1999) states “this structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs”.

According to Ryan and Ng (2000), there has been increasing worldwide attention to corporate governance in the public sector. UK and Australia, for example, issued a framework of corporate governance in the public sector and guideline of how to apply principles and practice of corporate governance in the public sector.

Further, Holmstrom and Kaplan (2001) define corporate governance as “the mechanisms through which companies and their managers are directed, where such mechanisms frequently are identified in the forms of mergers, takeovers, executive stock options, involvement of board of directors and shareholders”.

Furthermore, various theories of corporate governance are presented by the different scholars found in the literature where the most important is stakeholder perspective. The sense of wealth maximization of shareholders, the opinion was inhospitable to stakeholders of the company. It is argued that mutually beneficial relationships with stakeholders can enhance wealth creation potential of the corporation (Post et al 2002).

Even more, Benz and Frey (2007) suggested that to improve the weakness and failures of private sector practice as shown by the collapse and scandal of big corporation, corporate governance (private sector corporate governance) can learn from public governance. Public governance could give a new insight to improve governance of the corporation.

Oladele (2010), established the relationship which exists between the ethical behavior in an organization and the general performance of the firm. The study defined ethical behavior as a set of moral

principles which are utilized by the company with an aim of steering the conduct of the employees, firm and all the stakeholders. According to Oladele (2010), the ethical behavior has a significant influence on the performance of the organization. In fact, it affects the performance, motivation, and productivity of the employees. The study further established that good ethical behavior is positively correlated with the performance of a given organization. Thus, firms should adopt those measures, behavior, and principles which shape their ethics positively, as this will lead to improved profitability.

According to Heenetigala (2011), Value creation indicates that developing the long term goals for sustainable performance by focusing on the shareholders of the company. Value protection based on accountability of managers and protects the interest of both shareholders and stakeholders (Rezaee, 2009).

In a useful study, Kaur (2012) conducts a comparative examination of corporate governance disclosure by private and public sector banks in India, where the focus is to stumble on the distinction in the corporate governance disclosures of private and public sector banks in India. Noticeable here, public sector banks come under the category public sector enterprises in India. Most corporate governance literature concluded that corporate governance framework must be tailored to each organization, as there is difference need between one and another organization. The complexity arised in public sector corporate governance as there will be a more complex relationships between those with primary accountability responsibilities (parliament, ministers) as opposed with private sector.

According to Saeidi & Bidi (2012), the ethical principles have to be implemented in various stages of the organization to ensure that the decision-making process is based on evidence and facts and not bias or discrimination. Ethics affects the performance of the employees, for this reason, it is important to study the topic.

Yilmaz (2016) examined the impact of corporate governance variables on organizational financial performance in Turkey. The relationship between ownership structures, board structures and financial performances are tested. Research concludes that corporate governance variables influence firm performances. Shares of independent board members and leverage have negative influences while foreign ownership has positive influence on organizational financial performance.

Farhan et al (2017) showcased the effect of the corporate governance (CG) on firms' performance in the United Arab Emirates (UAE). The governance mechanisms employed in this study was board size, board independence and audit committee's (AC) characteristics. The examined AC characteristics are: AC member's independence, number of financial experts in the committee, ratio of meetings held during the year, and the incentives received by the AC members. Board independence has been found to



negatively affect organizational performance. AC meetings and financial experts' ratio did not affect organizational performance, while AC incentives and AC independence negatively affected organizational performance.

Thapar & Sharma (2017) examined the concept of corporate governance in India with regard to the provisions of corporate governance under the Companies Act 2013. Corporate Governance is not just company administration but more than that and includes monitoring the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders thereby ensuring fair, efficient and transparent functioning of the corporate management system.

Kostyuk & Govorun (2018) highlighted the most recent trends in corporate governance, ownership and control. There are various factors of corporate governance like: emotional factors determine the top management successor selection in family firms, board diversity is a factor allowing stocks to have better risk-return trade-offs compared to traditional assets, and thus helping investors to achieve better results.

### **Objectives of the study**

The broad objective of the present study is to examine the relationship between corporate governance and performance of the organization. To fulfill the broad objective of the study following specific objectives were made:

- To analyze the influence of organizational performance across different demographic variables.
- To assess the influence of corporate governance on organizational performance.
- To study corporate governance practices that enhances organizational performance

By keeping in view the above set objectives, following hypotheses were framed:

H01: There is no significant difference between organizational performance and age.

H02: There is no significant difference between organizational performance and gender.

H03: There is no significant difference between organizational performance and marital status.

H04: There is no significant difference between organizational performance and designation.

H05: There is no significant difference between organizational performance and work experience.

H06: There is no significant difference between organizational performance and monthly income.

H07: There is no significant difference between organizational performance and size of organization.

H08: There is no significant relationship between corporate governance and organizational performance.

## Methodology

The survey research design was adopted. The data for present study was collected through the administration of two structured corporate governance and organizational performance questionnaire. With the application of simple random sampling method, the questionnaire was administered to 600 respondents which were cut across employees of different private Information Technology organizations situated in the capital of India, Delhi. Out of which 455 questionnaires were filled, returned and analyzed. Data were collected through closed ended statements in both questionnaires. A 5-point Likert scale of 1-5 which ranges from “strongly disagree” to “strongly agree” were employed to identify the responses.

## Data analysis and Interpretation

To fulfil the first objective of the study the data was analyzed by employing descriptive and inferential statistical tools and techniques. Descriptive statistics described the important properties of the data using the measures the central tendency like mean and the measures of dispersion like standard deviation. And inferential statistics made inference from the sample data using One-way ANOVA and Pearson correlation analysis technique.

Following table 2 presents the demographic profile of employees employed in different private Information Technology organizations situated in the capital of India, Delhi, which includes Age, Gender, Marital Status, Designation, Work Experience, Monthly income, Age, Gender, Marital Status.

**Table 2: Summary of Demographic profile of Faculty members under study**

S.No.	Demographic Variable	Number of Respondents	Mean	Standard Deviation
<b>1</b>	<b>Designation</b>			
	Entry level	357	37.72	11.92
	Executive level	98	38.98	8.31
<b>2</b>	<b>Work Experience</b>			
	Upto 5 Years	111	37.34	12.91
	5 to 10 Years	100	36.07	12.36
	10 to 15 Years	88	38.09	10.95
	15 to 20 Years	114	40.93	7.61

	More than 20 Years	42	39.51	7.66
<b>3</b>	<b>Monthly income</b>			
	Upto Rs. 20,000	118	38.80	8.61
	Rs. 20,001 to 50,000	137	37.83	12.92
	Rs. 50,001 to 70,000	49	38.37	8.63
	Rs. 70,001 to 90,000	18	41.83	8.97
	Rs. 90,001 to 1,10,000	64	33.86	14.06
	More than Rs. 1,10,000	69	40.92	7.84
<b>4</b>	<b>Age</b>			
	Up to 24 Years	22	35.31	5.36
	25 to 35 Years	173	38.08	10.98
	36 to 45 Years	125	42.11	6.04
	46 to 55 Years	111	37.25	12.09
	More than 56 Years	15	39.63	9.91
<b>5</b>	<b>Gender</b>			
	Male	321	37.64	11.47
	Female	134	39.86	8.74
<b>6</b>	<b>Marital Status</b>			
	Married	322	38.86	10.06
	Unmarried	114	37.77	11.61
	Divorced	19	35.50	11.50
<b>7</b>	<b>Size of organization</b>			
	1-100	87	23.01	5.75
	100-200	233	31.12	7.75
	200-300	113	27.62	7.00
	More than 300	22	17.49	4.25

Source: Authors compilation from primary data

The variables used in the study to assess the influence of corporate governance and organizational performance are divided into two dimensions: Corporate Governance (CG):- Ethical behavior (EB), Ethical leadership (EL) and Corporate Governance mechanism (CGM); Organizational performance

(OP):- Employee engagement (EE), Customer satisfaction (CS) and Organization Reputation (OR).

Following table 3 displays the descriptive statistics of Corporate Governance and its dimensions:

**Table 3: Descriptive statistics of Corporate Governance and its Dimensions**

<b>Dimensions</b>	<b>N</b>	<b>Mean</b>	<b>Standard Deviation</b>
<b>EB</b>	455	2.10	0.52
<b>EL</b>	455	2.05	0.97
<b>CGM</b>	455	2.35	0.58

Source: Authors compilation

Note: EB= Ethical behaviour, EL= Ethical leadership, CGM= Corporate Governance mechanism; N= Number of respondents

From the table 1 presented above it can be observed that Corporate Governance mechanism (CGM) has the highest mean value of 2.35 an S.D. of 0.58 which implies that it has the most influential dimension in enhancing the performance of the organization. A good corporate governance framework will lead to internal discipline, accountability and transparency. Proper Corporate Governance mechanism will strengthen the relationships between board members and the company's shareholders; and the company and other stakeholders such as employees, creditors and customers. Next influential dimensions were Ethical behaviour (mean= 2.10) followed by Ethical leadership (mean= 2.05).

Next following table 4 displays the descriptive statistics of Organizational performance and its dimensions:

**Table 4: Descriptive statistics of Organizational performance and its Dimensions**

<b>Dimensions</b>	<b>N</b>	<b>Mean</b>	<b>Standard Deviation</b>
<b>EE</b>	455	2.70	0.67
<b>CS</b>	455	2.35	0.58
<b>OR</b>	455	2.20	0.55

Source: Authors compilation

Note: EE= Employee engagement, CS= Customer satisfaction and OR= Organization Reputation; N= Number of respondents

From the table 2 presented above it can be observed that Employee engagement (EE) has the highest mean value of 2.70 and S.D. of 0.67 which implies that it has the most influential dimension in enhancing the performance of the organization. Engaging employees is critical for retaining valuable talent as disengaged employees are more likely to hamper the organizational performance. Corporate Governance Code must add employee engagement to the heart of the agenda for companies' board of directors. Next influential dimensions were Customer satisfaction (mean= 2.35) followed by Organization Reputation (2.20).

- *Analyzing the significant difference between organizational performance and demographics variables*

The results of variance analysis (ANOVA) of the significant difference between organizational performance and demographic variables are given in Table 5. These results establish the following interrelationship:

**Table 5: One-way ANOVA for evaluating the significant difference between organizational performance and demographic variables**

Demographic Variable	Number of Respondents	Mean	Standard Deviation	F-value	p value
Designation					
Entry level	357	37.72	11.92	0.500	0.000
Executive level	98	38.98	8.31		
Work Experience					
Upto 5 Years	111	37.34	12.91	9.734	0.014
5 to 10 Years	100	36.07	12.36		
10 to 15 Years	88	38.09	10.95		
15 to 20 Years	114	40.93	7.61		
More than 20 Years	42	39.51	7.66		
Monthly income					
Upto Rs. 20,000	118	38.80	8.61	2.671	0.013
Rs. 20,001 to 50,000	137	37.83	12.92		
Rs. 50,001 to 70,000	49	38.37	8.63		

Rs. 70,001 to 90,000	18	41.83	8.97		
Rs. 90,001 to 1,10,000	64	33.86	14.06		
More than Rs. 1,10,000	69	40.92	7.84		
Age					
Up to 24 Years	22	35.31	5.36	6.896	0.032
25 to 35 Years	173	38.08	10.98		
36 to 45 Years	125	42.11	6.04		
46 to 55 Years	111	37.25	12.09		
More than 56 Years	15	39.63	9.91		
Gender					
Male	321	38.64	11.47	58.984	0.781
Female	134	39.86	8.74		
Marital Status					
Married	322	38.86	10.06	0.619	0.589
Unmarried	114	37.77	11.61		
Divorced	19	35.50	11.50		
Size of organization					
1-100	87	23.01	5.75	4.005	0.000
100-200	233	31.12	7.75		
200-300	113	27.62	7.00		
More than 300	22	17.49	4.25		

Note: Level of significance is at 5 %

#### **Age and Organizational performance:**

*H01: There is no significant difference between organizational performance and age*

The age of employees reported significant difference with organizational performance ( $F= 0.500$ ;  $p\text{-value}= 0.000$ ;  $p<0.05$ ). Employee in age bracket of 36 – 45 years indicate highest mean with 42.11 which indicates that these employees have major influence on organizational performance.

#### **Gender and Organizational performance:**

*H02: There is no significant difference between organizational performance and gender*

Gender of employees had non-significant difference with organizational performance ( $F= 59.984$ ;  $p\text{-value}= 0.781$ ;  $p>0.05$ ). With a minor difference in the mean values of both the genders reveals that both

male and female have major role in influencing organizational performance.

#### **Marital status and Organizational performance:**

*H03: There is no significant difference between organizational performance and marital status*

Marital status of various level of employees had non-significant difference with organizational performance ( $F = 0.619$ ;  $p\text{-value} = 0.589$ ;  $p > 0.05$ ).

#### **Designation and Organizational performance:**

*H04: There is no significant difference between organizational performance and designation*

Designation of employees had a significant difference with organizational performance ( $F = 0.500$ ;  $p\text{-value} = 0.000$ ;  $p < 0.05$ ). This indicates that executive level employee (mean = 37.72) has more influence on organizational performance than entry level employees (mean = 38.98).

#### **Work experience and Organizational performance:**

*H05: There is no significant difference between organizational performance and Work experience*

Work experience reported a significant difference with organizational performance ( $F = 9.734$ ;  $p\text{-value} = 0.014$ ;  $p < 0.05$ ). The examination of mean scores further reveal that employees possessing work experience of 15-20 years have major influence on organizational performance. This result is in accordance with earlier studies by Kolzet al. (1998) found that experienced employees have better job performance because of their in-depth knowledge of the tasks required to be done. The longer an employee stays with the organization, the more sense of belongingness they develop with the organization, which his reflected in their enhanced organizational performance.

#### **Monthly income and Organizational performance:**

*H06: There is no significant difference between organizational performance and Monthly income*

Monthly income of employees had a significant difference with organizational performance ( $F = 2.671$ ;  $p\text{-value} = 0.013$ ;  $p < 0.05$ ). Employee earning a monthly income of Rs. 70,001 to 90,000 indicated (mean = 41.83) a major role in affecting the organizational performance.

#### **Size of organization and Organizational performance:**

*H07: There is no significant difference between organizational performance and Size of organization*

The size of organization indicated a significant difference with organizational performance ( $F = 4.005$ ;  $p\text{-value} = 0.000$ ;  $p < 0.05$ ). The mean scores (31.12) further reveal that organizations comprising of 100- 200 employee have more influence on organizational performance than compared to their sizes of organizations.

Thus, in summary, the results of first objective reveal that age, designation, work experience, monthly

income and size of organization have a major role in influencing the organizational performance levels.

- ***Relationship between corporate governance and organizational performance***

To assess the second objective of the study Pearson Correlation analysis was done to study whether there is an associate relationship between corporate governance and organizational performance.

**Table 6: Pearson Correlation Analysis Matrix**

	EB	EL	CGM	EE	CS	OR	CG	OP
EB	1							
EL	0.219**	1						
CGM	-0.343**	0.452**	1					
EE	-0.316**	0.416**	0.702**	1				
CS	-0.342**	0.171**	0.290**	0.367**	1			
OR	0.413**	-0.922**	0.412**	0.282**	0.246**	1		
CG	0.622**	0.290**	0.017**	-0.011**	0.333**	0.702**	1	
OP	0.037**	0.225**	0.886**	0.761**	0.034**	0.132**	0.533**	1

\*\* Correlation is significant at the 0.01 level (2-tailed); N= 455

Further, the results of correlation matrix revealed that all the dimensions of Corporate Governance were significantly associated with Organizational Performance. Highest correlation was found with ‘Corporate Governance Mechanism’ (CGM) ( $r = .886$ ,  $p < .05$ ) as Pearson  $r$  is close to 1 which concludes that there is a strong positive relationship between Corporate Governance Mechanism and Organizational Performance. Further the lowest and weak correlation was found with ‘Organizational Reputation’ (OR) ( $r = .132$ ,  $p < .05$ ). Lastly according to the table 3, there is a strong positive relationship between Corporate Governance and Organizational Performance ( $r = 0.533$ ,  $p < 0.05$ ). Hence it can be inferred and concluded that the adoption of sound corporate governance practices enhances transparency of company's operations, ensures accountability, engagement and contributes to effective organizational performance.

- ***Corporate Governance practices that enhances Organizational Performance***

In Indian corporate sector it is indeed a proud moment. Around 12 Indian companies have featured in the Forbes list of the worlds 2,000 best regarded firms. Infosys, TCS, Tata Motors secured the 31st, 35th and 70th ranks, respectively. Other Indian biggies like Tata Steel, L&T, Grasim, GIC, Mahindra & Mahindra, Asian Paints, SAIL and ITC are some of the other companies who have made it to this

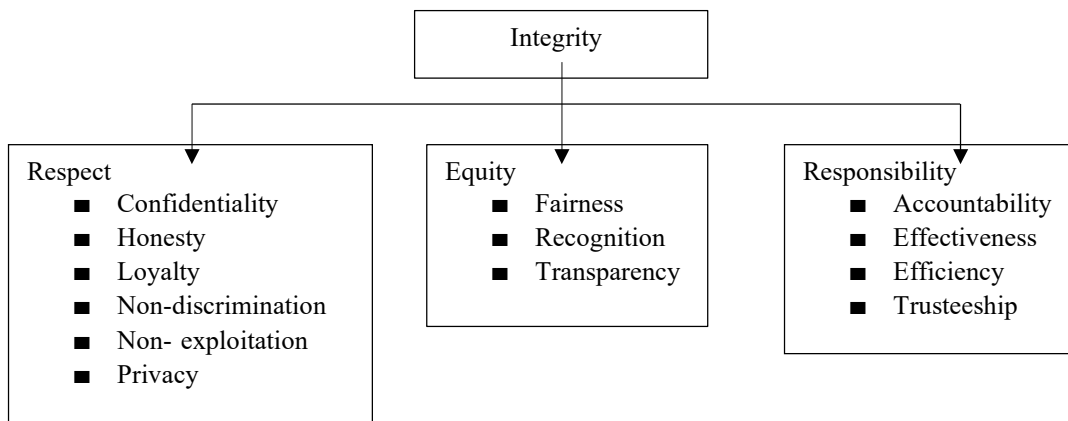


prestigious list. HDFC is the only company from the banking and financial sector to have attained a position in this list.

Every organization should follow best practices for corporate governance. Best practices apply similarly to new associations as they do to established ones. Best practices for corporate administration apply to large scale organizations, small scale organizations, public organizations and privately owned businesses. They even apply to non-profit associations and different entities. Companies that grasp best rehearses for administration consistently push toward long haul manageability

The primary best practices include building a competent board, aligning strategies with goals, being accountable, having a high level of ethics and integrity, defining roles and responsibilities, and managing risk effectively.

**Figure 1: Corporate governance Practices**



In India, the government owns, controls and monitors the interests in major sectors, comprising of infrastructure, oil, gas, mining, and manufacturing sectors. Over the decades, the Government of India has taken an assortment of steps to boost the performance of different sector organizations by means of better corporate governance. (Som, 2013).

### Conclusion and Recommendations

In India, corporate governance practices are just a little over a decade old. In conclusion, present study has given us an in-depth understanding of the influence of corporate governance on organizational performance and the best practices that aid in enhancing corporate governance. The demographic variables and corporate governance dimensions listed have proven to have a positive effect to the organization performance levels. This indicates that every variable in this dataset has an important implication on the growth and development of different business organizations. Therefore, adoption of

sound corporate governance practices by corporate bodies will enhance corporate growth which is of interest to all stakeholders. Finally, this study proclaims that corporate governance help guard both corporate entities and employees in building the trust of its stakeholders and addressing ethical issues threatening organizations.

In the light of the above, the following recommendations were made: Boards should have a composition that integrates all of the necessary skills and abilities to make sound decisions for the corporation. An effective strategy process which includes stakeholder value. Proper monitoring of legal compliance. Organizations can have corporate governance training which can help board members to identify the strategies, structures and processes that make boards the powerful force behind their organization triumph. This type of systemic understanding will support researchers to discover further into the area of corporate governance research.

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