Corporate Governance and Organisational Performance: An Empirical Analysis

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ARTICLE DETAILS

ABSTRACT

The study focuses on organisational performance based on the financial indicators including ROA, ROE, sales and similar elements. The research proposed that corporate governance practices could play a vital role in organisational performance. Therefore various practices of corporate governance were chosen and tested their impact. The study sample comprises of the respondents working in various Telecom Sector that includes: Mobilink, Telenor, Ufone, and Zong across Pakistan. A total of 320 useable responses were used. Data were collected through a questionnaire by sending through mail and online. A pilot testing was conducted to test the reliability ad validity for the instrument, with the pilot sample of 55 respondents. After testing the validity and reliability, further data were collected and tested the hypotheses devised thorough a study based on literature review. Employing correlational and regression tests, we analyzed the data. The results indicate that there was a positive and significant effect of corporate governance practices on organizational performance. Out of five hypotheses, three hypotheses were approved while two got rejected. The detail findings are shown in the analysis chapter. The study concludes with discussion, limitations and future research directions including implications both for theory and practitioners.

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1. Introduction

The role of corporate governance practices in the recent years has got significance due to its high importance and their impact on overall organisational performance. In order to fulfill the organizational goals and achieve the targets the management of organizations focus on the practices...
which are very much essential as they make sure that right person is properly engaged in the right work and is giving his/her maximum output. The study focused on the telecom organizations of Pakistan; including mobilink, Telenor, zong, U-fone and alike. In the recent past it was witnessed that “Mobilink” downsized its employees and their valuable employees were hired by “Telenor”, with this they not only hired the valuable resource but also the “ideas”, “innovation” & “creativity” to launch “Easy Paisa” services just days before the “Jazz Cash” Service was launched and to become market leaders and with this they were able to add “value” in their organization. Here organisation performance needs to be the major focus of attention everywhere. Keeping in view the above points, the research would be focused on the impact of corporate governance practices on organisational performance in Telecom sector of Pakistan.

Economically speaking, the Telecom sector of Pakistan is one of the leading revenue generating industry of Pakistan and has added 333.2 Billion Rupees in the economy for the year 2015- March 2016 which was less than the year July 2014- June 2015 as it generated 449.6 Billion Rupees and in the recent past we have witnessed downsizing in these companies it might be due to their revenue shortages and other factors. The job insecurity and the willingness to leave the organization has increased a lot in these telecoms the corporate governance practices are badly needed to retain not only your valuable employees but also to run the organisation smoothly. This research provides an inclusive analysis over the issue relating to corporate governance practices and organisational performance in the telecom sector of Pakistan keeping an emphasis on Ufone, Mobilink, Telenor, Zong, Warid and alike. The study can be more helpful for the Telecom sector in formulating their strategies to enhance organisational performance. The current research is conducted on corporate governance practices and organisational performance however; there are very less prior studies found in the relevance with the corporate governance practices and organisational performance in Telecom Sector of Pakistan at least not in my knowledge.

2. Literature Review

Governance can be considered as a method through which a function is carried out, and therefore corporate governance is a pattern by which corporations are ought to be managed. Particularly, this term includes certainty, clarity and responsibility as basic elements. Thus, these elements help to make a final opinion in a company (Commonwealth Secretariat & GCG Forum, 2006).

2.1 Corporate Governance

Corporate Governance can be stated as that it is a method in which management of a firm or organization is involved or impressed by multiple stakeholders. Generally, it involves shareholders, stakeholders, possessors and creditors. Corporate governance has now more importance that is aimed as a power element as it enhances the economic growth, economic ability and strength as well as boost investments for both public and private area. It is due to that now government is playing an efficient role to promote best and good corporate governance within the socio-economic political circle. Corporate governance can be explained as a system that assures foreign investors confirm ratify response on their investments. Efficient corporate governance gives satisfaction on protection of the funds which are invested and also the investment returns (Shleifer and Vishny, 1997).

2.2 Corporate Governance Practices

The system of CG in Pakistan was started in 2002. The requirement was mainly recognize by the (ICAP), and accounting work was the main key for CG in Pakistan, having been the indication in imposing audit exercises. The organization assemble the 5th All Pakistan Chartered Accountant
Conference to rejoice its 100 years in 1998. They also invited Morgan King (hallmark of Kings Report) to ease arranging the structure for CG arrangements in Pakistan and known as “stitch in time”. The most important movers of this plan were Ibrahim Sethi, the President, ICAP, Ishrat Hussain, the then Governor, State Bank and Khalid Mirza, Chairman SECP.

2.3 Transparency, Disclosure, Shareholders’ Rights and Corporate Performance

Increased level of private enterprise and globalization as well has boosted the worth of valid knowledge in resource markets (Healy and Palepu, 2001). Verrecchia (2001) gives a complete assessment of hypothetical research on that issues which are exposed above the last two decades. Many researches and experimental surveys are marked to the reality that formulating the revelations and holding to all important conditions one by one with the legal and legalized rules and also intended revelations help in minimizing the cost of agency or agreement cost. It helps to evaluate the real market worth of firm’s well-being, which also aims to reduce the capital cost as well (Botosan, 1997). Moreover, it also gives an extra knowledge over the important report, which also concludes in minimizing the dealing cost of the depositor (King et al., 1990), and lastly it provides in lowering the proceeding costs (Skinner, 1997).

According to Cohen et al. (2004), gives surety about the value of financial statements phenomenon is the major role of CG. A study by Hassan et al. (2008) carried out whose purpose is about examining the linkage among CG, clearness and the efficiency of firm. The study concentrates on investigating the good CG exercises effect on the corporate precision and the efficiency of 142 corporations that are listed on Malaysian Stock Exchange. For the experimental review, Tobin’s Q denotes the dependent variable, whereas the 7 CG features, panel independence, panel leadership or dual role, quality of managers, internal ownership, external ownership, debt investment and assessment quality, these are all the independent variables. The end result of this study shows that elements of corporate governance have very strong forecasting power or authority on the efficiency and performance of the company.

2.4 Organizational Performance

The term performance is a personal opinion of certainty that describes the huge number of serious considerations on the idea and its determining tools. The Explanatory Dictionary of the Romanian Language explains performance as “a finding (generally good) acquired by someone else in a fair challenge, a special accomplishment in the area of activity, the good finding gained by a practical framework, an instrument, a tool, etc.” The statement explains that this term named as performance was taken new from the workings and sports area, just for the later use to classify the very fair end results also accomplished n other areas. This denotes that only fixed units, those who obtain the best findings, achieve the performance. The huge number of studies and researches at foreign level in the area of performance is also because of the financial issues that cleared the worldwide economy, which has guide to continuing demand of accomplishment in the field of performance of individuals.

2.5 Telecom Organizations in Pakistan

In Pakistan, agencies regarding government and businesses ones are starting up to the advantages to the data centers of third party. The market with fixed line is assumed to deteriorate extra over the coming 5 years to 2024. In Pakistan, the access of the fixed broadband stays at very minimal level generally because of the mobile platform power. USF and Ufone also came up with an agreement for a faultless project broadband coverage on the Makran Coastal Highway. In access of
mobile broadband in the Pakistan has a very strong increment from the previous 5 years. MoIT of Pakistan is focusing to launch profitable 5G services by 2020. Information hubs are developed in the 3 major cities in Pakistan like Karachi, Lahore and Islamabad as well. Telecommunication with information hubs involves Telenor, Zong, and Ufone. Main information hub customers involve network hosting assistance suppliers, banks as well as other fiscal organizations. The main worldwide social media stages like Facebook have certain existence in information hubs of Pakistan.

### 2.6 Board Size and Organisational Performance

It is observed that there is a strong link between board size and organisational performance. The research shows that the size of board can be around 3-31 whereas a few have choice that perfect size of model might be around 7. The Australian Institute of Company Directors offers us a few suggestions of standard figures of board managers, according to the company type, in Australia. The first suggestion was that there should be 8-12 managers in the large registered corporations as per the recommendation of Australian Institute of Company Directors. Those corporations who are enlisted as medium size; 6-8 managers were recommended for them. For the small registered corporations; 4-6 managers were suggested according to suggestions. While 8-12 board managers were advised for the large donations/NFP boards. As well as 6-12 board directors were proposed for small donations/NFP boards. The size of board for public unlisted corporations mentioned was around 4-8. Co-proprietor corporations were suggested 1-4 board size. Moreover, 6-12 was advised for the public sector boards and 15 or more was proposed for the boards of University according to the suggestions.

Korn Ferry, an official search company, reviewed the clients regarding size of board. The study highlighted that the best size of board is 2 inside managers and 8 outside managers.

It is observed in some cases that that Smaller Boards Outperform Larger Boards but that is still debatable in the academic society of corporate governance. Governance examiners group from GMI Ratings carried out a research in 2014 for The Wall Street Journal, that sustains the idea with the aim of smaller boards are extra efficient than the larger boards. A very good study was carried out showing that corporate governance not only helps to achieve better organisational performance but also its ingredients like great board makes organisations great as well (Jeffrey et al, 2002).

Hence the hypothesis inscribed as:

**H1:** There is significantly positive impact of small adequate board size on Organizational Performance.

### 2.7 Non-executive directors and performance

The ratio of non-managerial on board, whereas not their comparative ownership, is importantly as well as positively linked to the efficiency of firm, conclusions highlight that just non-managerial directors are more efficient monitors. Another study conducted in UK, suggested that non-executive directors in board may create impact on organisational performance in financial terms as well (Roberto Mura, 207).

Hence the hypothesis inscribed as:

**H2:** There is significantly positive association between non-executive directors and Organizational Performance.

### 3. Audit Committee Members and Organizational Performance

The numerical study has revealed that Review Committee independence as well as the figure of Review Committee discussions have a negative influence on the performance of corporation. The statistical analysis has shown that the Audit Committee Independence and the Number of Audit
Committee meetings have a negative impact on the corporate’s performance

Andreas G. Koutoupis (2019) in their study conducted in Greek and Italy proposed the link between audit committee members and organisational performance. They are of the view that audit committee members do impact on organisational performance and that needs to be studied further. Additionally, it is suggested that the can be positive influence of audit committee on organisational performance (Zied Bouaziz 2016). Hence the hypothesis inscribed as:

**H₃**: There is significantly positive association between audit committee members and Organizational Performance.

4. **Directors’ Remuneration and Performance**

Managerial control theories declared that remuneration efficiency linkage is reasonable (Essen et al., 2012). The executive control theory relates to the authority and effect concerned by the managerial organization exactly obliquely to direct the type of fee agreements (Sapp, 2008). Bebchuk and Fried (2005) observed that administration power is additional when organization efficiency is under the aims and mainly when the CG not strong. As well as, Bebchuk and Fried (2003) observed that high administration importantly used their authority in highlighting the level also the compensation packages structure regardless of the success of organization. With respect to the managerial control theory, the top management may utilize their authority to fix high wages when CG formation is weak, and corporation’s efficiency at low level. In this regard, the method in which interrelationships among managerial directors’ fee, firm efficiency and CG in Malaysia suffered corporations. Shamsul Nahar Abdullah Corporate Governance, Publication date: 1 March 2006 states that fee of director is not related with the accountability of firm. Another thing is there a linkage among managers; fee and firm efficiency? By Rashidah Abdul Rahman* & Siti Noor Hayati Mohamad Zawawi, 2005, the conclusions highlight a frail positive linkage among managers’ fee, total assets and efficiency of company.

Hence the hypothesis inscribed as:

**H₄**: There is significantly positive association between director’s remuneration and Organizational Performance.

5. **Board Meeting and org Performance**

This research investigates the influence of board assembly rate on efficiency of firm; the firms which are enrolled on the Amman Stock Exchange from the industry and also the service regions for 2009-2013 era. The results of the research proposed that a positive relationship among the corporate board assembly rate and efficiency of firm. This declares that by discussions, members of board decide the operational problems via meetings, and connecting with one another meeting rates improving the ways of decision making, also in a result of this the efficiency of firms.

Hence the hypothesis is inscribed as:

**H₅**: There is significantly positive association between board meetings and Organizational Performance.

Based on the review of prior literature and analysis of the existing gap, following framework is proposed for testing based on primary data collection through questionnaire.
Corporate Governance

H1: There is significantly positive impact of board size on Organizational Performance.

H2: There is significantly positive association between non-executive directors and Organizational Performance.

H3: There is significantly positive association between audit committee members and Organizational Performance.

H4: There is significantly positive association between director’s remuneration and Organizational Performance.

H5: There is significantly positive association between board meetings and Organizational Performance.

3. Research Methodology

The study was directed on practices of corporate governance, which are being employed in the telecom organizations of Pakistan. The investigation was led to get the realistic outcomes, which were discussed in the statement of the problem of the study. In this part, the researcher tried to explain the techniques and methods utilized in order to obtain results. The section further explains the population and size of the sample, the focused on populace and what the example methods were utilized in this examination. This section likewise approves references, which can legitimize the investigation and the examination led. Finally this section talks about the analysis software used to test the hypotheses.
The study focused on the Senior Managers/Assistant Vice President are than supported by the middle line management teams they may include Managers/Assistant Manager/Team Leaders which are basically running a low level management team which are the Executives/Associates. The questionnaires were devised and distributed to the management of the telecom sector based in Islamabad and Rawalpindi. Likert scale of five points was used for the data collection (Sekaran & Bougie, 2016).

3.1 Population & Sampling

For the assortment of essential feedback from the respective sample, representatives of telecom area situated in Islamabad and Rawalpindi were chosen. According to the data given by HR directors/HOD’s of each organization, the given data should be kept private and only for the use of the current study. As this data was private so they didn't give the specific figure of their workers and managers.

**Table 4: Total Number of Employees in Pakistani Telecom Sector**

| Sr # | Telecommunication | Total No. of employees | Islamabad Based employees |
|------|-------------------|------------------------|--------------------------|
| 1    | Mobilink          | 10,500-11,000          | 1600                     |
| 2    | Telenor           | 8,500-9,500            | 1200                     |
| 3    | Zong              | 7,500-8,500            | 1200                     |
| 4    | Ufone             | 7,500-8,500            | 900                      |
| 5    | Warid             | 5,500-6,500            | 350                      |

A size of 284 is considered as reasonable against the number of individuals in over 50,000 (Sekaran and Bougie, 2010). As indicated by Tabachnick and Fidell (1996), at least 300 members are fundamental for the factor investigation. So keeping in see the previously mentioned references, the sample size of 320 is all that anyone could need to legitimize the investigation is right and for applying the measurable test, including the reliability of the instrument and additionally for the speculation testing. The accompanying table gives the detail, but the portions somewhat not properly filled or wrongly filled, missing qualities and the respondent's reaction rate very low, were dropped.

Non-probability convenience sampling techniques was used for the collection of data from 320 targeted employees which is the sample size of the study. Due to busy work schedules of the employees in mobile sectors, and considering a tiresome activity to fill questionnaires, it is difficult to access mobile sector workforce for getting feedbacks and responses about constructs of study. As researcher went to telecom offices at random and got feedback from available employees at that time so a non-probability convenience sampling techniques was used for the collection of data from 320 targeted employees which is the sample size of the study.
The feedback was obtained from various workplaces situated in Islamabad and Rawalpindi; some were gathered from their HR dept., COPS (customer operation services) and administrative centers. Five point Likert scale technique was utilized for to check the reaction of the representative's with respect to this investigation.

3.2 Instrumentation

To collect the data a questionnaire as adapted with three parts. The questionnaire was floated with a cover letter. Brief description of the instrument employed is given below:

3.3 Data Collection

The researcher attempted her level best to just gather the information as well as to ensure that the respondents appropriately filled the surveys and returned them back. Among the 510 conveyed polls an aggregate of 345 surveys were returned back making a reaction pace of 67 percent. Just 20 polls were not sufficiently filled so they are dismissed and were screened out of the last example. A total of 63 was determined as 320 respondents return surveys with no mistake in it.

The questionnaires were distributed to her respondents by the researcher through printed copies and on the web, anyway the normal reaction rate throughout the years have declined from 64 percent to 48 percent and if there should arise an occurrence of high level administrative reaction is concerned it has declined to 38 percent. The Cronbach’s Alpha estimations of the exploration instrument of this examination are referenced as follows.

Table 6 portrays the internal consistency of the instrument by utilizing Cronbach's Alpha measurements of all factors which are important for this investigation alongside the quantity of things of every factor. Kerlinger and Lee (2000) notice that base estimation of Cronbach's alpha should be more than 0.6 though Smallbone and Quinton (2004) notice that better unwavering quality score is somewhere close to 0.7 to 0.9. Pilot study was made on 55 respondents and unwavering quality outcomes are accounted for. Cronbach's alpha aftereffects of all factors referenced in the above table are more than 0.7, which show a strong dependability of test instrument. Corporate Governance has not very high Cronbach's alpha value which is 0.786 yet at the same time it is awesome score, while Cronbach's alpha estimation of Organizational execution is 0.757 which is useful for test instrument of social sciences research. Hence internal consistency of the research instrument is satisfactory.
It is presumed that the research instrument utilized in this study is a reliable instrument and feedback gathered from this data analysis can be predictable with less proportion of errors..

4. Data Analysis and Findings

The graphic description based on gender is portrayed in table 7. From a sample of 320, male respondents are 210 though female respondents are 110, which show that male are 2/3 and female are 1/3 of the complete sample size.

Table 7: Descriptive Analysis on the basis of Gender

| Gender | Gender | Gender |
|--------|--------|--------|
| Male   | 210    | 66 %   |
| Female | 110    | 34 %   |
| Total  | 320    |        |

Figure 1 also depicts the gender wise classification of respondents with their percentage values. Male covers 66% of total area whereas female covers 34% of total area.

**Figure 1: Pie chart represents percentage of male and female respondents.**

The respondents' education level is accounted for in table 8. As per the outcomes half of the total respondents are found graduates and 43% respondents have postgraduate capability. Besides, 6% respondents have advanced education and just 1% respondents are under-grade. Results unmistakably show that bigger portion of respondents (93%) is having graduate and postgraduate educational levels.
The results, depicted in figure 2, show qualifications of respondents with their percentages are represented in form of Pie chart.

**TABLE 8: DESCRIPTIVE ANALYSIS ON THE BASIS OF QUALIFICATION**

| Qualification       | No. of Respondents | % age |
|---------------------|--------------------|-------|
| Under Graduate      | 5                  | 1 %   |
| Graduate            | 159                | 50 %  |
| Post Graduate       | 137                | 43 %  |
| Higher Education    | 19                 | 6 %   |
| Total               | 320                |       |

Table 9 classifies the respondents as indicated by their age level. Each age classification comprises of 5 years span beginning with 20-25 years stretch and last stretch is 35 or more. From a sum of 320 respondents, greatest number of respondents is 158 with 49% which fall in the age classification of 25-30 years; that shows the example is gathered from youngsters, which are vivacious and need to fill in their life. The most un-number of respondents are 15 (5%), which fall in age class 35 or more. In addition, 63 respondents having 20% come in age level of 20-25 years and 84 respondents come in age class of 30-35 years with 26%. Discoveries of table obviously show that 75% of respondents fall in age level of 25-35 years which clarify that 3/4 of all out example size comprises of youthful and persevering labor force who have a reasonable vision in their psyche and need to gain ground quickly.

**TABLE 9: DESCRIPTIVE ANALYSIS ON THE BASIS OF AGE**

| Age Level   | Number of Respondents | Percentage |
|-------------|------------------------|------------|
| 20-25       | 63                     | 20 %       |
| 25-30       | 158                    | 49 %       |
| 30-35       | 84                     | 26 %       |
| 35 & above  | 15                     | 5 %        |
| Total       | 320                    |            |
Same findings, which are reported in table 9, are depicted in Figure 3. Classification of respondents with respect to their age level is presented in form of pie chart. Major area is covered by the age interval 25-30 years, which is 49% of total area and age interval 30-35 covers 26% of total area.

**FIGURE 3: PIE CHART REPRESENTS AGE OF RESPONDENTS WITH PERCENTAGES.**

![Pie chart](image)

Experience of respondents is likewise announced in table. Table 10 classifies the respondents as indicated by their professional experience. Each experience level comprises of five years stretch beginning with long term. Results introduced in table show that people having 1-5 years of work experience are 140 having greatest 44% of all out rate. Respondents with 5-10 years of professional training are 130 with 41%. Additionally, respondents having 10-15 years of professional training are 39 with 12% and just 3% respondents have a place with experience level of long term or more. Like past discoveries clearly 85% of people have 1 to 10 years of professional training, which clarifies that labor force, comprise of youthful and energetic individuals who need to effectively participate in association's development and progress.

| Job Experience | Number of Respondents | Percentage |
|----------------|------------------------|------------|
| 1-5 year       | 140                    | 44 %       |
| 5-10 year      | 130                    | 41 %       |
| 10-15 year     | 39                     | 12 %       |
| 15 year & above| 11                     | 3 %        |
| Total          | 320                    |            |

**TABLE 10: DESCRIPTIVE ANALYSIS ON THE BASIS OF EXPERIENCE**

Pie chart depicts the job experience categories, which have also been reported in table 10. Major area of pie chart consists of 1-5 year of work experience, which is 44% proceeding with 5-10 year of work experience, which is 41% of total area.
4.1 Correlation Analysis

The association level between two factors can be checked with the assistance of relationship investigation (Chaudhry, 2012). Correlation considers the association of the two factors on one another or checks the level of development of two factors because of one another. Distinctive statistical tests are accessible to gauge the relationship level between two factors yet Karl Pearson's connection coefficient is most credible measurable apparatus utilized in social and essential science research (Chaudhry, 2012). There are three well known sorts of relationship; positive correlation, negative correlation and zero or no correlation. Positive or direct correlation implies when development of the two factors is same way, either both move upwards or downwards. Negative or backhanded relationship clarifies that when the two factors move inverse way. Zero or no connection expresses that when there is no away from of development of the two factors. Factors likewise hold straight and non-direct relationship (David, 2012). As examined in past segment, all factors, which are essential for this examination, satisfy the linearity suppositions so factors have direct connection with one another.

Table 11: Correlation Analysis of Predictor variables (Corporate Governance - CG elements) and Predicted variables (Organisational Performance-OP) N=320

|          | CG1   | CG2   | CG3   | CG4   | CG5   | OP Overall |
|----------|-------|-------|-------|-------|-------|------------|
| CG1      | 1     |       |       |       |       |            |
| CG2      | .118  | 1     |       |       |       |            |
| CG3      | .147* | .510**| 1     |       |       |            |
| CG4      | .063  | .506**| .704**| 1     |       |            |
| CG5      | .107  | .754**| .738**| .602**| 1     |            |
| OP Overall | .528**| .042  | .226**| .141  | .153*| 1          |

* Correlation is significant at 0.05 level (2-tailed).
** Correlation is significant at 0.01 level (2-tailed).

CG stands for Corporate Governance whereas OP stands for Organisational Performance. CG1 states about "appropriate board size of around seven members, CG2 refers about having non-executive directors as part of the board, CG3 represents having high directors' remunerations, CG4
states conduction of regular board meeting, CG5 refers to existence of audit committee members in the board.

OP-Overall is the computation of all elements of perceived organisational performance including ROA, ROE, and Profit over billing volume, Market share, and growth of sales. And Correlation coefficient values reported in table 11 show that all predicted and predictor variables are statistically having significant association at 1% level of significance.

Table above discusses the Pearson’s correlation coefficient results with their significance values and checks the relationship level of all independent and dependent variables, which are included in current study.

4.2 Regression Analysis

Table 12: Regression Analysis – Model Summary

| Model | R       | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---------|----------|-------------------|---------------------------|
| 1     | .638a   | .407     | .390              | .30537                    |

Table 12 reports the values of standard error of estimate, R, R², adjusted R². Value of R is 0.638, R² is 0.407, and standard error of estimate is 0.305. Coefficient of determination (adjusted R²) is 0.390, which shows that all independent variables explain almost 40% of total variation in dependent variable (Organisational Performance) whereas remaining 60% variation in dependent variable is due to other factors, which are not part of this study.

This value of adjusted R² is a healthy value and shows a significant impact on predicted variable. Value of standard error is 0.305, which explains less deviation among residuals and shows a consistent pattern.

Table 13: Regression Analysis – Coefficients

| Model | Unstandardized Coefficients | Standardized Coefficients | t    | Sig. |
|-------|-----------------------------|---------------------------|------|------|
|       | B              | Std. Error | Beta |      |     |
| 1     | (Constant)      | 4.908      | .132 | 37.266 | .000 |
| CG1   | .212            | .030       | .436 | 7.163  | .000 |
| CG2   | .039            | .032       | .109 | 1.205  | .230 |
| CG3   | .180            | .043       | .425 | 4.155  | .000 |
| CG4   | .194            | .038       | .444 | 5.094  | .000 |
| CG5   | .066            | .052       | .143 | 1.262  | .209 |

4.3 Hypotheses Testing and Results

As per Kerlinger and Lee (2000) regression is a tool in statistics, which checks the effect, level of regressor or indicator on regressed or anticipated variable. Not at all like connection in relapse
varieties in the estimations of dependent variable rely upon the variations in the estimations of independent variable. Basic straight egression can be utilized to test the approval or disapproval of the hypotheses.

To test the individual impact of Corporate Governance Practices on Organisational Performance, simple linear regression is applied.

Table 14: Hypotheses Testing & Results

| Hypotheses | Impact Direction | B     | T-test | P-value |
|------------|------------------|-------|--------|---------|
| 1          | H1               | CG1 → OP | 0.212 | 7.163   | 0.000   |
| 2          | H2               | CG2 → OP | 0.39  | 1.205   | 0.230   |
| 3          | H3               | CG3 → OP | 0.180 | 4.155   | 0.000   |
| 4          | H4               | CG4 → OP | 0.194 | 5.094   | 0.000   |
| 5          | H5               | CG5 → OP | 0.066 | 1.262   | 0.209   |

Table 14 reports the individual hypotheses with β, t-statistic and significance values. With the use of simple linear regression all CG practices are tested on Organisational performance. According to results, has significant and positive impact on Organisational performance (β = 0.212, p = 0.000), CG2 doesn't have significant and positive impact on Organisational performance (β = 0.39, p = 0.000), CG3 has significant and positive impact on work compatibility (β = 0.182, p = 0.000), CG4 has significant and positive influence on Organisational performance (β = 0.194, p = 0.000), and CG5 has not shown significant and positive influence on Organisational performance (β = 0.066, p = 0.209).

With the help of simple linear regression it is established that on individual basis many CG practices make significant and positive impact on Organisational Performance except two that does not fulfill the significance requirements and those two have no considerable contribution towards organisational performance.

5. Conclusion

Conclusively, this quantitative study was conducted to examine the impact of Corporate Governance practices, (board size, audit committee members, CEO remuneration etc.) on Organisational Performance, which includes (ROI, ROE, Profitability and alike factors). The government has conditioned its achievements on Corporate Governance with the goals to speed up economic activity through organisational performance. The government has also assured PICG in the role of action force to take out separate policies of governance for (SOEs) named as State-Owned Enterprises. It is acquiring so long time than the original one imagined due to the State-Owned Enterprises rights is not less than the one agency. The State Bank of Pakistan has engaged an important role in controlling the investment and banking business. Their agreement parameters are severe than those imagine in the CG system. Finally it is suggested that the Security Exchange Commission of Pakistan requires building reserves for severe parameters of enlisted corporations because the stock exchange has not succeeded in their goals as foremost rules.
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