The Impact of Corporate Governance on Improving Overall Performance of the Companies

Najla’a ALHaj  
Business Administration faculty  
Jinan University of Lebanon  
Tripoli, Lebanon

Abstract

Corporate governance is recognized as one of the most important implications in building marketplace confidence. The study will assess the level of implementation of corporate governance and level of performance in seven companies from different industries in some countries. We selected seven companies (Audi Bank, Nestlé Group, Dana Gas, Medgulf, Coca Cola, SABIS, Al Baraka Banking Group) which operate in different sectors (Banking, Food and beverages, Energy, Insurance, Education, and Islamic Banking).

The result of the study shows that there is a significant relationship between corporate governance practices and companies’ performance. It is expected that the findings of this research paper would contribute to improve understanding about corporate governance practices and their impacts on improving overall performance of the companies.

Results of the study shows that through appropriate application of the standards of corporate governance companies increase profitability, effectiveness and efficiency, improve their credibility, sustainability, transparency, disclosure, reputation, competitiveness and quality in all aspects and enhance management control, risk management, financial management, oversight and relations with key stakeholders such as investors, business partners, employees, customers, etc.

The study recommends that companies should implement corporate governance principles and standards in their strategy and decision making process. They should focus on board of directors, committee structure, risk management, internal audit, external audit, internal control, human capital, sustainability, social responsibility, financial management, disclosure, transparency and the rights of shareholders.

Keywords: Corporate Governance, Firm Performance, Companies.

1. INTRODUCTION

Corporate governance has been a topic of major interest in business literature specifically with regard to the question of why some companies perform better than others. Many business studies show that the structure of corporate governance has important impacts on firm performance. Corporate governance can help to prevent corporate scandals, fraud and improves reputation of the firm and makes it more attractive to investors, suppliers, customers and other stakeholders. There is evidence from many studies that good corporate governance makes direct economic benefit to the firm, making it more profitable and competitive.

The purpose of this study is to help demonstrate the business case for good corporate governance and explain the experiences of some companies from different industries in some countries. The purpose of this study is shed light on the relationship between corporate governance and the overall performance of the companies.
2. LITERATURE REVIEW
In last few years corporate governance has become subject of the large interest in theory, as well in practice. Parker stated that "corporate governance has commanded the highest levels of attention and debate among legislation, regulators, professions, business bodies, media and in the general community" [1]. Corporate governance is one of the key areas of business which enhances the courage of investors and allows for protecting their interest.

A review of the literature shows that there is no universal definition. Despite existence of many definition of corporate governance, it can be broadly defined as the system by which companies are directed and controlled [2] but also the relationship between companies and interest groups which determines its strategic direction and performance. The significance of corporate governance is realized by the investors, corporations and governments for competing domestically and internationally [3]. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship [4].

The Organization for economic cooperation and development (OECD) [5] advisory group defined corporate governance by a “set of relationships between a company’s management, its board, its shareholders and other stakeholders. Corporate governance also provides structure through which objectives of the company are set and the means of attaining those objectives and monitoring performance are determined”. Structure of corporate governance determines distribution of rights and responsibilities between various actors in company such as boards, managers, shareholders and other stakeholders, and lays rules and procedures for making corporate decisions. The behavior of managers can have a great impact on the performance and value of a company. Corporation governance is a way of handling "the separation of ownership and control", where managers of corporations may not have incentives to act in their shareholders’ best interest. Corporate governance as a concept includes the separation of roles and responsibilities, communication channels, and behavior between shareholders, board of directors and the Chief executive officer CEO [6].

Good corporate governance plays a key role in enhancing integrity, profitability, reputation, sustainability, effectiveness and efficiency of companies as well as financial markets in which company operates. Poor corporate governance weakens company's potential and in worst care can open the way for financial difficulties and fraud [7]. The fundamental objective of corporate governance measure is to direct and control in order to bring transparency in corporations which in return affect financial performance of companies [8]. Corporate governance leads to sound financial performance [9] [10].

Many studies from around the world have investigated the impact of corporate governance variables on firm performance. Mahboob Ullah, Nouman Afgan, Muhammad Hashim, Muhammad Azizullah Khan conducted a study to analyze the impact of corporate governance on financial performance of cement sectors firms listed on the Pakistan Stock Exchange. The findings reveal that corporate governance positively effects financial performance [8].

Hove Sibanda, Kin Sibanda, David Pooe conducted a study to examine the impact of corporate governance adoption on the firm competitiveness and performance of SMEs in Vanderbijlpark. The principal findings of this study revealed that the implementation of corporate governance by Small and medium enterprise (SMEs) significantly and positively affected their competitiveness and performance [11].

Deloitte & Nyenrode carried out a paper to provide insight into the relationship between good governance and corporate performance. Governance variables that are scientifically proven to contribute to corporate performance have been identified by analyzing academic research published between 2006 and 2016 in the five highest ranked academic journals according to the Association of Business Schools ranking. The research provides evidence for the correlation between several governance variables (board independence, board diversity, remuneration, CEO
characteristics, oversight, and Ownership structure) and corporate performance and shows that governance variables have a positive effect on the likelihood that companies improve their financial and non-financial performance. [6].

Esra Ahmed and Allam Hamdan performed a study to examine the impact of corporate governance policies on firm performance in Bahrain Bourse. The study sample contained 42 out of 48 of Bahrain’s companies which were listed in Bahrain Bourse during the period from 2007-2011 and found a positive influence of corporate governance mechanisms on performance for the entire list of firms [12].

Onakoya, Adegbemi Babatunde O, Ofoegbhu and Donald Ikenna, Fasanya, Ismail O. performed a study to explore the effect of corporate governance characteristics on bank performance in Nigeria. The final sample consists of 9 banks for the sample period of 2006-2010. It found that both board size and ownership structure have a positive impact on return on equity (ROE) [13].

Hani El-chaarani conducted a study to examine the impact of corporate governance on financial performance of Lebanese banks during five years (from 2006 to 2010). The findings reveal a positive impact of independent boards on the performance of Lebanese banks. The research also finds a significant and negative relationship between CEO duality and bank performance and reveals a positive impact of insider ownership concentration on the return of Lebanese banks indicating the more shares held by insiders, the better the performance. [14].

S. Danoshana and T. Ravivathani carried out a research to explore the effect of corporate governance on business performance of 20 listed financial institutions in Sri Lanka. Return on asset (ROA) and return on equity (ROE) were used in the research as they are the key variables to define business performance; the findings show that corporate governance variables significantly affect business performance. The size of the board of directors and audit committee can have positive effects the business’s performance [15].

Hamdan investigates the relation between corporate governance and dividend policy in Kuwait Stock Exchange (KSE). This study displayed empirical evidence that there is a positive relation between corporate governance and dividend policy. It supported the hypothesis that increasing dividend policy is related to the quality of the corporate governance, external financing constraints do not affect that relation [16].

3. RESEARCH HYPOTHESES
To determine the impact of corporate governance on improving overall performance of the company, an analysis of the level of implementation of corporate governance in seven companies from different industries was used. Thus, the main hypothesis may be formed as follows:

High level of implementation of corporate governance has a positive impact on overall performance of companies.

This research will help to demonstrate the benefits of the application of corporate governance and stress on the correlation between corporate governance and company performance. Corporate governance is about shining a light through the whole organization because it has a significant impact on firm performance in various forms.

4. LEVEL OF IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE IN SOME COMPANIES
The purpose of this analysis is to help demonstrate the business case for good corporate governance in different companies that have made high level of governance implementation in some countries. This analysis will help similar companies to view the effects of implementation of corporate governance on the performance of the companies and will inspire them to take similar action.
Companies should implement and reinforce the corporate governance structures from the board of directors to the management level to keep up with international best practices.

We will focus in our analysis on some companies from different industries.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Industry type</th>
<th>Business</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audi Bank</td>
<td>Banking</td>
<td>Commercial, Corporate, Retail, Private and Investment Banking services in the MENA region, Turkey and Europe</td>
<td>Lebanon, the Middle East, North Africa, Europe and Turkey</td>
</tr>
<tr>
<td>Nestlé Group</td>
<td>Food and beverages</td>
<td>Food and beverages categories including coffee, petcare, bottled water and infant formula.</td>
<td>Headquarter: Switzerland Offices in all over the world</td>
</tr>
<tr>
<td>Dana Gas</td>
<td>Energy</td>
<td>Natural gas producer, focusing on upstream activity</td>
<td>Egypt, Kurdistan Region of Iraq (KRI) and UAE</td>
</tr>
<tr>
<td>Medgulf</td>
<td>Insurance</td>
<td>Insurance</td>
<td>Lebanon, KSA, Egypt, Bahrain, UK, UAE, Turkey, and Jordan.</td>
</tr>
<tr>
<td>SABIS</td>
<td>Education</td>
<td>Education</td>
<td>Headquarter: Lebanon, U.S., U.A.E. Presence in 20 countries on 5 continents</td>
</tr>
<tr>
<td>Coca Cola</td>
<td>Beverages</td>
<td>Sparkling soft drinks; water, enhanced water and sports drinks; juice, dairy and plant-based beverages; tea and coffee; and energy drinks.</td>
<td>Africa, Asia pacific, Eurasia, Europe, Latin America, North America</td>
</tr>
<tr>
<td>Al Baraka Banking Group</td>
<td>Islamic Banking</td>
<td>Banking</td>
<td>Headquarter: Bahrain 16 countries with 12,795 employees across 675 branches</td>
</tr>
</tbody>
</table>

**TABLE 1:** The Sample of the Study.

4.1 Audi Bank

In 2005, the Board of Bank Audi sal (the Bank) made corporate governance improvement a central goal. In 2006, the Board adopted a set of voluntary Guidelines to provide a framework for the Bank's corporate governance to be used by the Board and for the benefit of the Bank's shareholders and other stakeholders [17].

Bank Audi is governed by a board of directors consisting of up to 12 members elected by the General Assembly of shareholders for terms not exceeding 3 years. The board is supported in carrying out its duties by the Audit committee, the Risk committee, the remuneration committee, the compliance to the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing AML/CFT Board committee, the corporate governance and nomination committee, and the executive committee [18]. Bank Audi reported significant changes at the board level in some form, related to composition (Executive, non-executive), structure (Audit, nomination and remuneration), procedures, roles, or other practices. It also made a management control which covers a different range of operational functions, including risk management, internal control, internal audit, external audit, compliance, information...
technology, and financial management. Bank Audi took a variety of steps to improve control across these functions, as well as in other areas, such as disclosure and transparency [17].

4.2 Nestlé Group
The analysis of the corporate governance 2018 of Nestlé Group shows that the Board of Directors is highly engaged in the long-term, sustainable value creation based on strong principles of governance and an appropriate tone from the top [19].

Nestlé Board of Directors is highly structured to ensure a high degree of diversity by age, education/qualifications, professional background, present activity, sector expertise, special skills, nationality and geography. It includes fourteen members which are non-executive members with the exception of the CEO and these non-executive members are independent and were not members of the Nestlé management before and they do not have important connections with Nestlé. The executive management of Nestlé Group includes fourteen members [20].

The principal Board committees are Chairman's and Corporate Governance Committee which liaises between the Chairman and the full Board and provides advice to the Chairman and CEO. It regularly reviews all aspects of its governance, as well as the company's asset and liability management, nomination and sustainability committee which puts a strong focus on board composition, structure and succession planning. It evaluates candidates for nomination to the board in the coming years. It reviews all aspects of its environmental and social sustainability. It is chaired by its Lead Independent Director, Compensation Committee which sets its remuneration principles and submits the proposals for remuneration of the Board and the Executive Board to the Board. It ensures the alignment of its values, strategies and performance management. Its compensation budgets and its compensation report are submitted to annual votes by their shareholders; Audit Committee which oversees internal and external audit, financial reporting, and compliance and risk management [20].

Nestlé Group integrated its public reporting on its financial and non-financial performance by including the highlights from its Nestlé in society report in its Annual Review [20].

4.3 Dana Gas
The adoption of corporate governance was taken in April 2006 a few months after the incorporation of the company [21]. The analysis of the annual report 2017 of Dana Gas reveals that it has always aspired to implement the standards of corporate governance with emphasis on accountability, transparency and integrity. It is stated in the annual report 2017 that over the years the Group has implemented robust corporate governance, it has recognized that the adoption of best corporate governance practices is fundamental to building a strong business and ensuring a good commercial reputation in the Middle East and Internationally. Dana Gas will continue to review and develop its governance framework in view of changes in the external environment, business performance and best practice frameworks because high standards of corporate governance are a key contributor to the long-term success of the company.

The board of directors is elected by the general Assembly every three years. Currently out of the 11 members of the board, eight are independent directors and three non-executive directors. The board has three permanent committees which are the Audit and compliance committee; corporate governance, remuneration and nominations committee and board steering committee (the board has appointed a reserve sub-committee to this committee). Dana Gas made a management control which covers a multiple range of operational functions including risk management, internal control (Over 2017 the Core Internal Controls operating in Dana Gas have been progressively reviewed, updated and rolled out throughout the organisation) and assurance, internal audit, external audit, Ethics and compliance, information technology, Human Resources, and financial management. Dana Gas took multiple steps to ameliorate control across these functions such as disclosure, transparency and shareholder relations [21].
4.4 Medgulf
The adoption of corporate governance was taken in 2010. The analysis of the annual report 2017 of Medgulf shows that the board of directors includes 9 members, four are independent directors. Medgulf set up an Audit committee which supervises the external and internal auditors and the compliance department, a nomination and remuneration committee which follows the board evaluation, and an executive management committee which follows the executive management [22].

Medgulf made a management control includes risk management, internal control, internal audit, Human Resources. It took multiple steps to improve control across these functions such as disclosure and transparency [22].

4.5 SABIS
SABIS is 100 percent owned by the Saad and Bistany families (hence, the name Sa-Bis). The board of directors of SABIS includes nine members two are non-executives and another is non-family member. SABIS set up finance, nominations, audit, remuneration and management development committees and it explains the difference between the duties of the board, the management and the family [23].

SABIS made a management control which covers a multiple range of operational functions including internal control, internal audit to make evaluation of risk processes, compliance, Human Resources by improving the process of hiring to ameliorate control and quality of staffing, and financial management by implementing a new core financial system [23].

SABIS took a variety of steps to improve control across these functions, as well as in other areas, such as disclosure and shareholder relations.

4.6 Coca Cola
The analysis of the annual report 2017 of Coca Cola Company shows that the Coca-Cola Company is committed to good corporate governance [24]. As of April 1, 2018, the Board was comprised of 14 Directors, 12 of whom are not employees of the Company. The Board is well balanced and diverse, with the right mix of international skills, experience, independence and knowledge. Coca cola have made progress in terms of gender diversity at Board level [24].

The Board has established various committees to help in discharging its duties. These include an Audit Committee, a Compensation Committee, a Committee on Directors and Corporate Governance, an Executive Committee, a Finance Committee, a Management Development Committee and a Public Issues and Diversity Review Committee [31].

4.7 Al Baraka Bank
The analysis of the annual report 2017 of Al Baraka Bank shows that the board of directors includes 11 members six are independent non-executive directors, four are executive directors and one is a non-executive director. The Board has put in place a number of Board committees, membership of which is drawn from the Board membership and to which it has delegated specific responsibilities. The principal Board committees are the audit committee, the risk and capital management committee, the board credit committee, the board credit committee, the directors’ affairs committee, the remuneration committee and the social and ethics committee [26].

A key component of the bank’s governance structure is the existence of several management committees, all of which support the board and board committees in giving effect to their objectives. The executive management makes control through a number of committees with specific responsibilities which are Executive Management Committee, Asset and liability committee, Head Office Credit Committee, Management Risk Committee, Head Office IT Steering Committee, Human Resources & Compensation Committee, Head Office Insiders Committee, other committees. Al Baraka Bank aims to disclose all the required information in its published quarterly reviewed financial statements, and its annual audited financial statements.
A Unified Shari’a Supervisory Board (SSB) is elected by the shareholders at Annual General Meeting upon recommendation by the Board of Directors. In carrying out its responsibilities, the SSB has full access to the Board, Executive Management and management and officers of the subsidiaries. In addition to reviewing and advising on Shari’a compliance of all products and services, it oversees the audit of the operations of the Group from a Shari’a perspective [26].

5. ANALYSIS OF IMPACT OF CORPORATE GOVERNANCE ON IMPROVING OVERALL PERFORMANCE OF THE COMPANIES
The analysis of the annual corporate governance reports of the seven companies from different sectors and countries reveals that the level of implementation of corporate governance variables is correlated with performance of companies. The board of directors of the companies aims at achieving the long term success through the implementation of corporate governance practices that promote continuity, consistency and effectiveness in the way the board operates and governs the company. We will explain the impact of corporate governance on improving overall performance of each of the seven companies (Audi Bank, Nestlé Group, Dana Gas, Medgulf, SABIS, Coca cola, Al Baraka Banking Group).

5.1 Audi bank
- The implementation of sound corporate governance is reflected in the subsidiaries and is given the highest level of priority.
- Organizational efficiency has been reinforced with improved decision-making at board and management levels.
- The board works and provides strategic stewardship to the bank and the board committees have separated oversight from management.
- The corporate governance changes have had a strong impact on the bank’s human capital which is considered one of the several competitive strengths that consolidate the Bank’s leading position and it will always be a cornerstone in its expansion and modernization strategy, and a major pillar at the heart of its success.
- Strong corporate governance was a key factor in helping Bank Audi to service excellence and impeccable quality in all aspects of the business, where employees play an essential role in providing clients with an unmatched banking experience.
- Bank Audi reported an annual growth rate in profits.
- The reputation of bank Audi is reinforced after the application of corporate governance and the bank is committed to pursue strong and sustainable growth.
- The changes made in the key management control functions help the bank to clarify the roles, improve coordination and transparency and oversight. Bank Audi ameliorates the disclosure and transparency of the annual financial report.
- Maintaining and safeguarding stakeholders’ trust through open communication channels and transparent dialogue based on fairness, respect and professionalism.

5.2 Nestlé Group
Nestlé Group is a trusted leader in its sector. The implementation of sound governance helps the group to: [19]

- Maintain trust in the Nestlé brand, it built consumers’ trust through the quality and safety of its products.
- Reduce risk throughout its value chain.
- Achieve its business success.
- Take a long-term approach to strategic decision making, which recognizes the interests of its shareholders, consumers, employees, distributors, business partners, industrial suppliers and the society.
- Reinforce Management control and risk management across the group by the adequate internal control procedures. The group functions more efficiently and effectively.
- Strength the internal audit report and enhance the risk and compliance report.
- Create value for society ‘Create Shared Value’ with special focus on nutrition, health, wellness, rural development, water, and education and strengthen environmental sustainability and protection and compliance.
- Ameliorate the disclosure and transparency of financial and non-financial reports. Nestlé produces a highly detailed annual report and financial statements, which provides insight about the business and its financial results, according to relevant international and local standards and regulations.
- Improve the training of staff to perform their duties effectively and efficiently and appreciate honesty, integrity and loyalty to the Company because it recognizes that its human resources are very valuable assets.
- Encourage their shareholders to embrace the e-dividend and e-bonus.
- Nestlé has solidified its market reputation. Nestlé reports that there is more awareness in the market about the activities and performance of the group.

5.3 Dana Gas
During 2017, Dana Gas further strengthened its Risk Management and Corporate Governance processes across the Group. A joined-up corporate governance approach integrating risk management, internal audit, internal controls and insurance, enhances Dana Gas’ ability to achieve its strategic and operational objectives, and helps protect its business, people and reputation.

- The overall improvements played an important role in helping Dana Gas access to capital about $1.5 billion in debt in 24 months [21].
- Reputation of Dana Gas was enhanced, brand recognition and image of Dana Gas has been promoted regionally and internationally and excellent feedback from investors and shareholders were received.
- Management control and risk management have been reinforced. Performance control is very active and efficient due to the new internal reporting activities and the level of transparency through the whole company is at a top level.
- Substantial board of director’s effectiveness with in-depth discussions and better decision-making.
- Efficiency and effectiveness of the company have strengthened dramatically.
- Dana Gas has implemented a number of projects and programs covering education, health and social activities in accordance with its annual corporate social responsibility plan approved by the board of directors.
- Dana Gas maintains regular contacts with the shareholders, investors and financial analysts to inform them on the company’s business activities and financial position [21].

5.4 Medgulf Group
The analysis of the corporate governance reports of Medgulf Group shows the following [22]:

- It has helped the status of the company to be raised in the region. The Medgulf Group incorporates transparency, efficiency, and compliance in the procedures and systems.
- The board of directors is composed of a diverse mix of backgrounds and experience and it functions much more effective and conducts their meetings more efficiently and organization.
- The efficiency of the company has ameliorated by reporting periodically to the board by the committees.
- Management controls are stronger, through the efficient organizational control which is put by the audit committee. The report of the internal audit reveals a positive impact and increased confidence in the company.
- The involvement of the shareholders is better by getting the necessary and adequate information.

5.5 SABIS

Good corporate governance is reflected in the quality of SABIS, and therefore is reflected in the evaluation of different aspects of the School’s operation such as the quality of teaching and curricula, the welfare, health and safety of students and staff. The analysis of the implementation of corporate governance shows the following:

- SABIS enhances the board stewardship which meets on a regular basis and focuses more on strategic issues for the SABIS rather than day-to-day management issues.
- The board member and Group Vice President Mr. Joe Achkar emphasizes good governance measures at International Finance Corporation IFC Education Conference and shared SABIS®’s experience in establishing board governance. He stated that “Over the past ten years, SABIS® has successfully managed significant growth and exceeded development targets and this feat could not have been accomplished without the guidance of the IFC and the deliberate implementation of several strategically chosen corporate and family governance measures” [27].
- Mr. Achkar stated in a discussion about corporate governance at Lebanese American University that the sound family and business governance is an important cause in ensuring continuity and enabling growth of SABIS [28].
- Mr. Achkar stated that the implementation of corporate governance has impacted organizational effectiveness and operational efficiency by the management system which ameliorates operational decision making, and has improved sustainability of the company to operate in future generations. SABIS® is committed to capitalizing on its investment in good governance to position future generations for continued success [27].
- Management control and risk management have been reinforced across the network of schools by the new systems and processes. Financial management of SABIS is more coordinated and a consolidated International Financial reporting standards IFRS financial report is produced which help to improve the decision making among the managers [23].

5.6 Coca Cola

The analysis of the corporate governance report of Coca Cola shows that the implementation of good corporate governance helps the company to:

- Lay solid foundations for management and oversight and strengthens board and management accountability and helps build public trust in the Company and improve the long-term interests of shareowners [24].
- Structure the board to add value and achieve its strategic goals.
- Manage risks and opportunities and maintain the trust of stakeholders.
- Strengthen sustainability and performance of the business and protect and enhance shareholder value.
- Manage effectively the risks related to the external environment.
- Safeguard integrity in corporate reporting and make timely and balanced disclosure.
- Remunerate fairly and responsibly.
- Organizational efficiency and effectiveness has been reinforced with improved decision-making at board and management levels.
- Improve oversight and safeguarding of the assets of the Company and maintain an appropriate financial and other internal controls and the Company's compliance.
- Reinforce the orientation and training program of new directors to perform their duties effectively and efficiently.
- Create value chain for society with focus on Packaging Collection & Recycling, water, agriculture, equipment, customers, manufacturing, beverages, Bottling Partners & Distribution, People & Communities.
- Earn an excellent reputation score.

5.7 AL Baraka Bank Group
The analysis of the implementation of corporate governance shows the following:

- The board enjoys a broad range of skills, experience and industry knowledge, which enables robust decision-making and strategy setting, as well as ensuring the appropriate balance of power and authority [26].
- Reinforce a professional training and development program across all organisational levels to perform their duties effectively and efficiently. The CEO and Board member of Al Baraka Islamic Bank, Mr. Mohamed Isa Al Mutaweh, stated “At Al Baraka Bank, we lay special emphasis on the importance of Life-long learning” [32].
- Ethical conduct remains central and fundamental to the manner in which Al Baraka Bank conducts its business.
- In terms of its current rating, the bank is classified as a Level 3 contributor.
- Increasing returns to shareholders and depositors.
- The reputation of Al Baraka Bank is strengthened and the bank is committed to pursue strong and sustainable growth.
- Make timely and balanced reporting and disclosure.
- Reinforce Management control and risk management by the adequate internal control procedures.
- Enhancement of technology and internal processes.
- Service an excellence and impeccable quality in all aspects of the Bank, improve customer services and develop innovative products, it is stated in the annual report 2017 that “our commitment to forging deeper customer relationships begins with a good governance structure”.
- Improve sustainability and social responsibility by supporting local economies, supporting healthcare projects and education, promoting scholarly works of Islamic banking and finance, investing in people, nurturing and encouraging local talent, and promoting programmes that protect the environment by adopting various conservation strategies, such as carbon mitigation, reduction of paper usage, energy and water conservation [26].

5.8 Summary of analysis of impact of corporate governance on improving overall performance of the seven companies
After we analysed each annual corporate governance report of the seven companies selected from different sectors and countries and explained the impact of corporate governance on improving overall performance of these companies we can summarize the impacts in the following table:
<table>
<thead>
<tr>
<th>Impacts</th>
<th>Audi Bank</th>
<th>Nestlé Group</th>
<th>Dana Gas</th>
<th>Medgulf</th>
<th>SABIS</th>
<th>Coca Cola</th>
<th>Al Baraka Bank Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management controls effectiveness</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Sustainability</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Social responsibility</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High level of effectiveness and efficiency</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Better managed risks</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Improved quality</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Trust</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Access to capital</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Integrity in corporate reporting</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Disclosure</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Transparency</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Reputation</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Human capital</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

**TABLE 2:** Summary of impacts of the implementation of corporate governance on improving overall performance of the seven companies.

We can summarize from the table above the following impacts:

- The implementation of corporate governance in these seven companies had a high impact on organizational efficiency and effectiveness by establishing more formal processes and controls, clarifying roles and authorities, and effective decision making which have led to a higher productivity and decreasing backlog of work and managing risks.

- Sustainability is rated consistently high among these companies. Company sustainability measures the company’s ability to continue as a prosperous. Sustainability is specially challenging for family-owned company like SABIS which was transitioning from a generation of leadership to another; or for other company that was quickly extending in size and complexity like Dana Gas.

- Nestlé Group, Dana gas, coca cola and Al Baraka Bank group focus on social responsibility which is considered an imperative. Other companies have to implement social responsibility because it is an ethical framework. If they emphasis their relationships with society and environment they will operate more efficiently and effectively. Company’s social responsibility can be used as investment criteria by investors which inspires them to invest and motivates consumers to purchase goods and services from these companies thus it helps them to generate more profits and develop good reputations.

The implementation of corporate governance is significant and important for shareholders as it raises confidence in the companies for better return on investment and for stakeholders as it assures that companies behave in a responsible way towards society and environment.

- The implementation of corporate governance in Audi bank, Al Baraka Bank, Nestlé group and SABIS helps them to service excellence and quality in all aspects of the business and
improves the quality of products and services. These companies with high service quality will meet customer needs while remaining economically competitive. The improvement of service quality is likely to ameliorate companies’ competitiveness.

- The corporate governance impact on Dana Gas’s ability to access finance is powerful. The other companies can benefit from their implementation of good corporate governance to obtain finance for extension and development because corporate governance plays a significant factor in the amount of financing with better terms and rates.

- There is a clear connection between high implementation of corporate governance and profitability in Audi bank and Al Baraka bank Group. These two companies reported an annual growth rate in profits which are attributed to the overall improvements in organizational effectiveness and managing risks. However, the other companies didn’t report a growth in profits but they may avert potential losses by implementing corporate governance.

- The corporate governance effect on companies’ reputation is strong and substantial in all companies. The implementation of corporate governance has promoted brands recognition in the market which help these companies to pursue strong and sustainable growth.

- All companies focus in their annual reports on integrity and transparency in operations and enhance disclosures for protecting interest of different parties. These companies prepare their financial statements by adopting International Financial Reporting Standards (IFRS) which are very important because companies around the world should speak in one language with each other while sharing and exchanging results of their international business activities because accounting is the language of business. The IASB’s IFRS Framework states that: “The objective of general purpose financial statements is to provide information about the financial position, financial performance, and cash flows of an entity that is useful to a wide range of users in making economic decisions” [29].

- Audi bank, Nestlé group, SABIS, Coca Cola and Al Baraka bank group Reinforce a professional training and orientation and development program across all organizational levels to perform their duties effectively and efficiently. These companies recognize that their human resources are very valuable assets and a major factor of success.

6. CONCLUSION
The analysis of the corporate governance implementation of the seven companies from different industries and countries shows that there is a positive influence on the overall performance of each company and a direct correlation between good corporate governance practices and long-term shareholder value. We conclude that the keys impact of high level of implementation of corporate governance are:

- High performance Boards of Directors.
- Accountable management and strong internal controls.
- Increased shareholder engagement.
- Higher sustainability and social responsibility.
- Higher level of effectiveness and efficiency.
- Better managed risk.
- Improved quality in all aspects.
- Strengthened oversight, management control, risk management and financial Management.
- Effectively monitored and measured performance.
- Increased trust.
- Increased access to capital.
- Positive impact on profitability.
- Improve integrity in corporate reporting and make timely and balanced disclosure.
- Improved transparency.
- Reinforced reputation and competitiveness.
- Strong impact on the company’s human capital.

The benefit from implementing corporate governance practices is not only for large, public, or established companies with many shareholders but it is for small, big, public, private, early stage or established companies because nowadays good governance is a business imperative. One size for corporate governance practices doesn’t fit all companies, but right-sized governance practices will positively impact the performance and long-term viability of every company [30].

7. RECOMMENDATIONS
Many companies from different sectors in the world lacked a thorough understanding of corporate governance and its benefits and their governance practices needed some form of improvements. Implementation of corporate governance is an essential part of responsible business practice. Therefore, if companies decide to improve their performance, attract investors and customers, become more profitable, competitive, survive in the global market, and raise capital at lower price, they must start to implement corporate governance principles and standards in their strategy and decision making process.

Every company should take the following steps:

- Focus on the composition, independence and diversity of the board of directors and the committee’s structure by building a strong, qualified board of directors and evaluating performance.
- Define roles and responsibilities.
- Improve risk management to ameliorate monitoring and mitigation at all levels.
- Enhance the role of internal audit by expanding its scope and ensuring its proper independence in the organization.
- Select a firm to conduct an external audit of the entire company.
- Make significant improvements to its internal control, compliance, information technology.
- Take significant actions to improve its human resources to engage, keep and improve the human capital.
- Improve sustainability and social responsibility.
- Upgrade its financial management in the field of accounting practices and control and the preparation of financial statements by adopting International Financial Reporting Standards (IFRS) to attract potential investors and other market stakeholders.
- Ameliorate and improve disclosure and transparency by increasing the disclosure of the financial and non-financial information in the annual reports and on the websites.
- Reinforce the rights of shareholders by ameliorate the minority shareholder protection and govern the role of the family in the business if the company is a family owned.

8. LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCHES
Data is limited to the information that appears in company’s website, annual report and corporate governance publications. No meetings with expertise were done in this research. Such meetings add value to the understanding of the actual situation, preventing obstacles and future plans for improvement.
The research was limited to part of board of director’s attributes. Future studies can continue deeper in board of directors details and to cover corporate social responsibility, committees’ work, ownership structure and risk mitigation and the effect of female representation for good corporate governance practice.

Future studies can analyze the role of internal audit in these companies by expanding its scope and ensuring its proper independence in the organization, study how companies improve its human resources to engage, keep and improve the human capital and study how these companies improve sustainability and social responsibility.

Financial performance was studied through analyzing the positive impact on profitability it can be studied more intensely by covering balance sheet, income statement and cash-flow figures and ratios of these companies.

The research analyzed disclosure and transparency in the annual report. Similar studies to be conducted to analysis of the degree of compatibility between corporate social responsibility and corporate governance within the context of financial disclosures.

9. REFERENCES


