



Examining the relationship between corporation governance and performance development of financial status in organizations (West Azerbaijan Telecommunication Company)

Morteza Asghari, Mehran Molavi*

Department of Public Administration, Mahabad Branch, Islamic Azad University, Mahabad, Iran

*Corresponding author email: dr_molavi1967@yahoo.com

Abstract: The aim of the present study is to evaluate the relationship between corporation governance and development of performance regarding the financial status in Telecommunication Company of West Azerbaijan. The study is that of the correlational. Since the number of statistical population is great, sampling method was used and 252 participants were chosen. Dimensions of corporation governance were examined which included internal members, external members, and the management board. Also, development dimensions of ethical values were studied which involved accomplishing the tasks, occupational discipline, interpersonal relations, and organizational behavior. Two questionnaires were used to collect the data and the validity as well as the reliability were measured. Three hypotheses were studied and all hypotheses were confirmed; however, the third hypothesis which had to do with the relationship between management board of corporation governance and development of performance was less related from the participants' perspectives. Ultimately, it was found that there was relationship between corporation governance and performance development of financial status in Telecommunication Company of West Azerbaijan.

Keywords: Corporation Governance, Internal Members, External Members, Management Board, Development of Financial Performance

Introduction

The notion of governance has been captured as the fundamental issue. This has to do with the ensuring of organizational confidence in order to develop the appointed goals and not the other targets. Due to the variety of stakeholders and expanded ownership, corporation governance has a vital role in increasing the number of stakeholders and their support. The term corporation governance was first developed in 1980s and it aimed to rethink in the relation of stakeholders, board of management and the beneficiaries. The corporation governance triggers the relation of people and organization who have a great role in organizational effectiveness. Based on the conducted studies, the success of well-famed companies roots in observing the corporation governance principles and enjoying efficient board of management. Corporation governance is a tool to guide the company, to monitor the executive management practices in line with the benefits of stakeholders as well as providing the legal needs beyond the company border.

Hence, the mechanisms of strategy-based system involve the guidance system and company monitoring where its structure determine the responsibilities domain and rights of management board, stakeholder as well as beneficiaries. Generally, the mechanisms of corporation guiding system are classified in to local and international groups. The former group has to do with the natural process of top management

supervision on low managers, interactive supervision among managers of different levels. The latter group involves management marketing, supervision of capital market by means of financial analysis, institutionalized stakeholders, public stakeholder, and control market of company. Different countered follow diverse corporate governance procedures and every country has its own leg and financial systems, corporate governance structure, culture and economic status, corporate governance procures. It is worth noting that the corporate governance system has a strong connectedness with financial performance across companies.

Review of Literature

There are different definition provided for corporate governance so that limited perspectives and expanded attitudes are at two continuum, in limited perspectives, corporate governance is restricted to the relationship between company and stakeholders, this is a traditional pattern which is expressed by theory of representatives. On the other continuum, one can consider the corporate governance as a network of relations existed between company and stakeholders as well as company and its beneficiaries such as employers, clients, sellers, and etc. Such a perspective is viewed as theory framework of beneficiaries (Elahi, 2008).

The international monetary center and economic corporations as well as development have defined corporate governance in 2001 as follows: the structure of relations and responsibilities among one main group involving the stakeholders, management board and top management in order to develop competitive performance so as to achieve the primary goals, the international federation of accountants have defined corporate governance as follows: corporate governance is categorized by number of responsibilities and applied practices by the management board through determining the strategy-based accomplishments which are useful for ensuring the achievement of risk controlling goals and resource consumptions (Esmaeilzade & Akbari Mogadam, 2012).

Advantages of Corporate Governance

The corporate governance is found to be useful for the beneficiaries such as investors, creditors, management board, management and employers as well as economic sectors. Appropriate corporate governance can assist the beneficiaries, improves corporate performance and provides appropriate return for investors. The obtained benefits from corporate governance can be either direct (better flowing of capital or attaining lower expense of capital) and indirect (credit and higher levels of investment opportunities) (Kohndel, 2011).

Companies which appropriate governance are categorized by powerful legal systems, devoting of efficient resources, consistency of finance and national as well as global development rate. The corporate governance is considered as a fundamental component for increasing the investors' confidence, development of competitive sense and development of economy. However, this is not said to be an easy task. It takes a long time for the advantages of corporate governance to be appeared and they impose short-term expenses on the company. The executive managers who focus on short-term results are able to catch only these expenses and not the advantages. So, one should develop incentive in management in order to implement the corporate governance goals. These goals include establishing the ethical culture, rule-observing f company, and formation of local accountant who controls for the financial and operational affairs (Hoseini, 2012).

Measuring the Financial Performance

There are three fundamental stages for development of financial performance measurement:

Traditionally, measurement was done by the expenses and management of accounts. In 1980, total financial perspectives were defined chosen from performance criteria which were inappropriate so that multi-dimensional performance measurement frameworks were employed. Finally, it was found in 1990 that the performance measurement was done by the discussion of strategic plans and using these to unleash the relation between key indices of performance. This has been reflected in public sector as well as in private sector (Memarzade & Sarafrazi, 2010).

Recently, the public organizations have been motivated to employ the methods of improving the performance of private sector in order to increase the responding.

The organizations of public sector are the same changes occurring in private sector, also, they have a number of the same situations. They are regarded as representatives of larger public sector. They are categorized by numerous people and equipment. The chosen individuals must be instructed, evaluated, developed and observed. These are the activities which can be practiced in private sector these as public

sector, so the sampling procedure has been pursued by the sectors. There are several service-offering centers in private sectors.

Materials and Method

The present study followed a survey-based method. The statistical population comprised of all employer and managers working at Telecommunication Company of West Azerbaijan and 252 questionnaires were distributed among them. To collect the data use was made by Corporate Governance Questionnaire and financial Performance Development Inventory developed by Botshekan (2009) and Lee e al. (2006), respectively. The former involved three indices and 19 items, the latter included 35 items both of which were developed on Likert 5-item scale.

Statistical Analysis Method

The researcher studied the demographic characteristics f participants through making use of descriptive statistics. The job experience of participants were categorized by 10-15 years, 15-20 years, 1-5 years, 5-10 years, and 20-30 years. Also, the level of education was distinguished by bachelor of art, master of art, diploma, and doctor of philosophy. In addition, male and female frequency was 82.3% and 17.7%, respectively.

Main hypothesis

There is a significant relationship between corporate governance and development of financial status performance in Telecommunication Company of West Azerbaijan

Table 1. Pearson test for determining the correlation between corporate governance and development of financial status performance

| | development of financial performance | corporate governance |
|--|--------------------------------------|----------------------|
| Pearson correlation of financial performance | 1.00 | 0.416 |
| Level of significance | | 0.000 |
| number | 252 | 252 |
| Pearson correlation of corporate governance | 0.416 | 1.00 |
| Level of significance | 0.000 | |
| Number | 252 | 252 |

According to the above table, the correlation coefficient between corporate governance and development of financial performance is 0.41 and this shows that there is a positive and significant relationship between the two variables. It is seen through focusing on the significance level that null hypothesis is rejected. It is worth noting that the components pertinent to the corporate governance include local members, outer members, and management board and related components have been considered in the present study. Finally, it is concluded form the obtained results that corporate governance can have a considerable contribution in developing the financial performance in Telecommunication Company of West Azerbaijan. In other words, corporate governance is effective in developing the financial status performance.

Second hypothesis

There is a significant relationship between local members of corporate governance and development of financial status performance in Telecommunication Company of West Azerbaijan

Table 2. Pearson test for determining the correlation between local members of corporate governance and development of financial status performance

| | development of financial performance | local members of corporate governance |
|--|--------------------------------------|---------------------------------------|
| Pearson correlation of financial performance | 1.00 | 0.392 |
| Level of significance | | 0.000 |
| number | 252 | 252 |
| Pearson correlation of local members of corporate governance | 1.00 | 0.392 |
| Level of significance | | 0.000 |
| Number | 252 | 252 |

According to the above table, the correlation coefficient between local members of corporate governance and development of financial performance is 0.39 and this shows that there is a positive and significant relationship between the two variables. It is seen through focusing on the significance level that null hypothesis is rejected. As previously indicated, the relationship between the two variables does not carry the meaning that they have similar effect since it is feasible that both of the variables undergo the effect of the other variables. It is worth noting that the components pertinent to the local members of corporate governance include top financial managers who play a vital role. The corporate governance managers play a great role in company processes. Information managers follow the same procedure. Human resource managers, information technology managers, marketing managers have all effect on company processes. Local members of corporate governance are effective in developing the financial status performance.

Third hypothesis

There is a significant relationship between outer members of corporate governance and development of financial status performance in Telecommunication Company of West Azerbaijan

Table 3. Pearson test for determining the correlation between outer members of corporate governance and development of financial status performance

| | development of financial performance | Outer members of corporate governance |
|--|--------------------------------------|---------------------------------------|
| Pearson correlation of financial performance | 1.00 | 0.453 |
| Level of significance | | 0.000 |
| number | 252 | 252 |
| Pearson correlation of outer members of corporate governance | 1.00 | 0.453 |
| Level of significance | | 0.000 |
| Number | 252 | 252 |

According to the above table, the correlation coefficient between outer members of corporate governance and development of financial performance is 0.45 and this shows that there is a positive and significant relationship between the two variables. It is seen through focusing on the significance level that null hypothesis is rejected. It is worth noting that the components pertinent to the outer members of corporate governance including investors' controlling for the organizational process have effect. Employers' perspectives have effect on organizational process. They consider the social inputs and environmental priorities when it comes to organization process. Local members of corporate governance are effective in developing the financial status performance.

Fourth hypothesis

There is a significant relationship between management board of corporate governance and development of financial status performance in Telecommunication Company of West Azerbaijan

Table 4. Pearson test for determining the correlation between management board of corporate governance and development of financial status performance

| | development of financial performance | management board of corporate governance |
|---|--------------------------------------|--|
| Pearson correlation of financial performance | 1.00 | 0.211 |
| Level of significance | | 0.000 |
| number | 252 | 252 |
| Pearson correlation of management board of corporate governance | 1.00 | 0.211 |
| Level of significance | | 0.000 |
| Number | 252 | 252 |

According to the above table, the correlation coefficient between management board of corporate governance and development of financial performance is 0.211 and this shows that there is a positive and significant relationship between the two variables. It is seen through focusing on the significance level that null hypothesis is rejected. It is worth noting that the components pertinent to the management board of corporate governance including management board as the watchman, preserver of public benefits, organizational leader, and supervisor has effect on organizational processes. Also, the management board plays its strategic and legal role in organizational processes. Management board of corporate governance are effective in developing the financial status performance.

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