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**THE RELATIONSHIP BETWEEN BOARD OF DIRECTOR'S  
CHARACTERISTICS AND INDUSTRIAL FIRMS FINANCIAL  
PERFORMANCE LISTED AT AMMAN STOCK EXCHANGE**

**By**

**ALMONTASER ABDALLAH MOHAMMAD QADORAH  
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**Universiti Utara Malaysia**

**MASTER OF SCIENCE (INTERNATIONAL ACCOUNTING)  
UNIVERSITI UTARA MALAYSIA  
2016**

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**Thesis submitted to**

**Othman Yeop Abdullah Graduate School of Business**

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**In Fulfillment of the Requirement for the Degree of Master of Science**

**(International Accounting)**

## **DECLARATION**

I declare that the substance of this project paper has never been submitted for any degree or postgraduate program and qualifications.

I certify that all the support and assistance received in preparing this project paper and the entire source abstracted have been acknowledged in this stated project paper.



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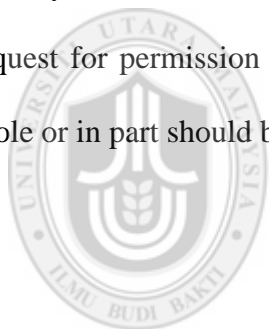
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## ABSTRACT

The purpose of this study is to empirically examine the relationship between board size, CEO duality, independence of the board of director's, frequency of board meeting and firm financial performance. About, 64 industrial listed firms are chosen from Amman Stock Exchange for the year 2013. Multiple regressions analysis is utilised in this study in order to achieve the research objectives. The findings show that board size, CEO duality, independence of the board of director's and frequency of board meeting have a relationship with firm financial performance. The findings also show that board size has a positive relationship with firm financial performance, and CEO duality has a negative relationship with firm financial performance. Moreover, independence of the board of directors has a positive relationship with firm financial performance. Eventually, the frequency of board meeting has no relationship with firm financial performance. It should be noted that the findings established in this study could be useful to regulators, especially the industrial firms listed in Amman Stock Exchange (ASE), Jordanian Securities Commission (JSC) and Jordan Investment Commission (JIC) to improve Corporate Governance (CG) practices. This study proposes that listed firm should put more emphasis on enhancing the role and the quality of the board of directors, as they are involved in the decisions that improve firm financial performance.

**KEY WORDS:** Corporate Governance, Board of Director's, Firm Financial Performance.

## ABSTRAK

Tujuan kajian ini adalah untuk menguji secara empirikal perhubungan di antara bilangan lembaga pengarah, dualiti ketua pegawai eksekutif, kebebasan lembaga pengarah, kekerapan mesyuarat lembaga dan prestasi kewangan syarikat. Sebanyak 64 syarikat industry tersenarai dipilih dari Bursa Saham Amman bagi tahun 2013. Multiple regression analisis di gunakan di dalam kajian ini untuk mencapai objektif kajian. Hasil kajian menunjukkan bilangan lembaga, duality ketua pegawai eksekutif, kebebasan lembaga pengarah mempunyai hubungan dengan prestasi kewangan syarikat. Hasil kajian juga menunjukkan bilangan lembaga mempunyai hubungan positif dengan prestasi kewangan syarikat dan dualiti ketua pegawai eksekutif mempunyai hubungan negatif dengan prestasi kewangan syarikat. Tambahan pula, kebebasan lembaga lembaga pengarah mempunyai hubungan positif dengan prestasi kewangan syarikat. Manakala, kekerapan mesyuarat pengarah tidak mempunyai hubungan dengan prestasi kewangan syarikat. Hasil dapatan kajian ini adalah berguna kepada pihak pengubal undang-undang, terutamanya syarikat yang tersenarai di Bursa Saham Amman, Suruhanjaya Sekuriti Jordan, Suruhanjaya pelaburan Jordan untuk menambah baik pentadbiran korporat. kajian ini mencadangkan penekanan perlu diberi kepada peranan dan kualiti lembaga pengarah kerana mereka adalah pihak yang terlibat dalam membuat keputusan bagi meningkatkan prestasi kewangan Syarikat.

**KATA KUNCI:** Pentadbiran Korporat, Lembaga Pengarah, Prestasi Kewangan Syarikat

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NASR QADORAH



## TABLE OF CONTENTS

<b>ABSTRACT</b> .....	<b>iii</b>
<b>ABSTRAK</b> .....	<b>iv</b>
<b>ACKNOWLEDGMENT</b> .....	<b>v</b>
<b>TABLE OF CONTENTS</b> .....	<b>vi</b>
<b>LIST OF TABLES</b> .....	<b>x</b>
<b>LIST OF FIGURES</b> .....	<b>xi</b>
<b>CHAPTER ONE INTRODUCTION</b> .....	<b>1</b>
1.0 Background of The Study .....	1
1.1 Problem Statement .....	3
1.2 Research Questions .....	5
1.3 Research Objectives .....	6
1.4 Significance of The Study .....	6
1.5 Scope of The Study .....	7
1.6 Definition of Terms .....	8
1.6.1 Firm Financial Performance .....	8
1.6.2 Corporate Governance Mechanisms.....	8
1.6.2.1 Board of Director’s Size .....	8
1.6.2.2 CEO Duality .....	8
1.6.2.3 Independence of The Board of Director’s .....	8
1.6.2.4 Frequency of Board Meeting .....	8
1.6.3 Agency Theory .....	9
1.7 Organisation of The Study .....	9
<b>CHAPTER TWO LITERATURE REVIEW</b> .....	<b>10</b>
2.0 Introduction .....	10

2.1 Firm Financial Performance.....	10
2.2 Corporate Governance .....	12
2.2.1 BOD Size and Firm Financial Performance .....	13
2.2.2 CEO Duality and Firm Financial Performance .....	15
2.2.3 Independence of BOD's and Firm Financial Performance .....	16
2.2.4 Frequency of Board Meeting and Firm Financial Performance.....	18
2.3 Underlying Theory .....	18
2.3.1 Agency Theory .....	19
2.4 Summarise of Literature Review .....	20
2.5 Chapter Summary.....	25
<b>CHAPTER THREE RESEARCH FRAMEWORK AND METHODOLOGY .....</b>	<b>26</b>
3.0 Introduction.....	26
3.1 Theoretical Framework.....	26
3.2 Hypothesis Development .....	27
3.2.1 BOD Size and Firm Financial Performance.....	27
3.2.2 CEO Duality and Firm Financial Performance .....	28
3.2.3 Independence of The BOD's and Firm Financial Performance .....	29
3.2.4 Frequency of Board Meeting and Firm Financial Performance.....	30
3.3 Research Design.....	31
3.3.1 Sample .....	31
3.3.2 Data Collection.....	32
3.3.3 Data Collection Procedures .....	34
3.3.4 Operational Definition and Measurement of the Variables.....	34
3.3.4.1 Firm Financial Performance .....	34
3.3.4.2 BOD Size .....	34
3.3.4.3 CEO Duality .....	34

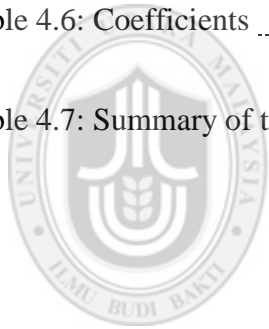
3.3.4.4 Independence of The BOD's .....	35
3.3.4.5 Frequency of Board Meeting .....	35
3.3.5 Data Analysis .....	35
3.3.5.1 Descriptive Statistics.....	36
3.3.5.2 Correlation Analysis .....	36
3.3.5.3 Regression Model .....	36
3.4 Chapter Summary.....	37
<b>CHAPTER FOUR ANALYSIS AND FINDINGS .....</b>	<b>38</b>
4.0 Introduction .....	38
4.1 Descriptive Statistics.....	38
4.2 Correlation Analysis.....	39
4.3 Normality .....	41
4.4. Linearity .....	42
4.5 Heteroscedasticity .....	43
4.6 Assumption of Multiple Regressions.....	44
4.7 Summary of Hypotheses Testing Results .....	47
4.8 Chapter Summary.....	47
<b>CHAPTER FIVE DISCUSSIONS AND CONCLUSIONS.....</b>	<b>48</b>
5.0 Introduction .....	48
5.1 Summary of Findings.....	48
5.2 Discussions.....	49
5.2.1 BOD Size and Firm Financial Performance .....	49
5.2.2 CEO Duality and Firm Financial Performance .....	50
5.2.3 Independence of The BOD's and Firm Financial Performance .....	51
5.2.4 Frequency of Board Meeting and Firm Financial Performance .....	51
5.3 Limitations of the Study.....	52

5.4 Recommendation for Future Research.....	53
5.5 Conclusion .....	54
REFERENCES.....	55



## LIST OF TABLES

Table 2.1: Summary of Some Previous Studies .....	21
Table 3.1: Industrial Sector Firms .....	32
Table 4.1: Summary of Descriptive Statistics .....	38
Table 4.2: Correlations for Return on Asset (ROA).....	40
Table 4.3: Skewness and Kurtosis for Normality .....	42
Table 4.4: Model Summary for Multiple Regression .....	44
Table 4.5: ANOVA .....	45
Table 4.6: Coefficients .....	45
Table 4.7: Summary of the Hypothesis Results .....	47



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## LIST OF FIGURES

Figure 3.1: Research Framework .....	26
Figure 4.1: Histogram (DV: ROA) for Normality Test .....	42
Figure 4.2: Normal P-P Plot for Linearity Test .....	43
Figure 4.3: Scatter Plot of the Residuals (DV: ROA).....	44



## CHAPTER ONE

### INTRODUCTION

#### 1.0 Background of The Study

In the current global business environment, business organisations increase their continued struggle to achieve a high record of growth so as to attract investors who will be willing to finance the future investment projects of their corporations. In today's competitive business environment stability and profitability are key factors influencing the decision to invest in corporations (Mallin, 2007). This justifies the inability of deteriorating businesses to raise funds for their investment projects. This situation can affect not only the specific business organisations but also the overall economic performance. To ensure safeguarding and protecting the corporate business environment, governments throughout the world have been enhancing effort for the implementation of corporate governance mechanisms. According to the Organization for Economic Cooperation and Development (OECD, 2004), "good corporate governance is essential for the economic growth led by the private sector and for the promotion of the social welfare".

In fact, many theorists have explored and tested in investigating the link that connects corporate governance and the overall organisational performance. Given that, corporate is a vital issue to the overall organizational performance; it is considered as one of the major variables that may influence the economic growth and expansion. An example of the study that examined the link between corporate governance and firm's performance is the work carried out by Brown and Caylor (2004) that confirmed the positive link between factors such as the composition and characteristics of the board's members. The main role of the board's members is to foresee the anticipated performance of the firm

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