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Hypothetical Assessment of Corporate Governance Theories and Strategies Influence on The Firm Performance

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Abstract: In any economy of the world the Corporate Governance have a significant and important implication for the economic development. For the protection of shareholders, reducing risk for investor and economic growth, it is necessary that well established corporate governance mechanism implemented, so that the performance of the business enhances. Every country has its own corporate governance structure and mechanisms. Pakistan is one of developing economy and its own corporate system and regulations. "Securities and Exchange Commission of Pakistan" (SECP) is the regulator of the corporate governance system. The basic aim of research study is to review the governance strategy and theories with the firm performance. The previous study revealed that the good corporate governance practices are very strong and positive impact on performance of the firm. The literature identifies that the board size has strong influenced in the performance of the firm. Separate role preferred in many studies for CEO, but in many studies preferred the CEO performs dual role for the sake of investor protection.

Keywords: Corporate governance, Board Size, Audit Committee, CEO Duality, FirmPerformance, Return on Asset, Return on Equity.

I. Introduction

If we explore the facts regarding the corporate governance issues and its significance, we found that the survival of big corporations and industries dependent on the effective corporate governance principles. The importance of good corporate governance system is today's one of the business needs and the corporations cannot survive without effective control over the corporate matters. "The Sarbanes Oxley Act USA, Combined Code UK, andthe Organization for Economic Development [OECD] Code in 1960" are the best examples to achieve the certain corporate governance objectives. The starting of the 21st Century was focused of corporate governance due to the collapse of many big corporations. The business community was in trouble against the degree of illegal practices with the corporate affairs. This is all unbelievable and unethical practices. So, there is a need to enforce the certain governance regulations to control the corporate scandals.

According to Jinarat & Quang (2003) corporate governance discusses the major business issues which are related to the management behaviors, investor trends and regulatory bodies. It defines that how the procedural practices and controls can be achieved. Effective corporate governance principles play a very important role in the sustainable economic growth by providing the capital growth. In present there is a big competition among the corporations and there is an emerging market, so a good corporate governance is very much important to achieve certain economic objective or the objectives set by the corporations. A good corporate governance minimizes the crises, capital cost, overlook the transactions, give protection and helpful for the capital market. Efficient system of governance and effective control over financial matters leads to the growth of the business houses. It's all possible due to outstanding system of governance.

The governance system established within the organizations for recognizes the rights and privileges of stakeholders. These stakeholders include financial institution, employees or workers, state, regulatory bodies, consumers, agents, dealers, creditors or suppliers etc. For a better working the participation and the access of the relevant information it is necessary all the other stakeholders know about the corporation's

decisions making. The Organization for Economic Cooperation and Development Organizations (OECD) explain that which type of information that are needs by all the stakeholders which the corporations must be published.

What is Corporate Governance?
According to A.C. Fernando (2015**)**"The word Corporate Governance normally explores from the literature as focused on the problems which normally deal with the management and its control. Under that circumstances the CG focused on the separation of powers whether internal or external. Corporate Governance explains that there should be audit committee in the organization and further explains that there should be separation of powers between the management, shareholders, creditors and other stakeholders. Corporate Governance more focused on every person should work within his domain.

According to Gabrielle O'Donovan (2014), elaborates that the corporate governance system has two dimensions, one is the internal which consists of the internal polices rules and regulations which are made for the betterment and to control the managerial activities, directing the shareholders and over see audit and committees system within the organization. The second dimension is the external, which consist on market share, commitments, good business survey, accountability and objectivity. Good corporate governance is measured on external dimensions. It is because the external dimension reflects that there is efficient and sound working of internal dimensions. If there is any lack of internal dimensions its impact reflects on the external dimension. External dimension provides safeguard to the companies to achieve certain organizational objectives. Both dimensions whether internal and external provides sound operating and controlling system to achieve long term company's strategic objectives and planning. It provides happiness to the shareholders and also increases the wealth of the shareholders. The success of the corporate governance also provides the benefits to workers, employees, customers, managers and local community. The good governance practices helpful to the organization for the recovery of organization and social cost. If we discuss the corporate governance principles and success, it means that all state laws, regulatory bodies of the state, professional bodies and ethics, business practices, management technique.

Khatabet al(2011) elaborate the Corporate Governance is the system of regulations and procedures that influences on the corporations that how it's managed and controlled. It explains the internal management structure and their procedure and polices.

According to Friedman M. (2007)**,** Corporate Governance basically is the system through corporation are controlled and managed. It provides the basic theme to manage the corporate structure. Corporate Governance success is based on certain principles and policies which the organization are maintained for proper functioning the corporations to win the confidence of stakeholders. Corporate governance procedures and regulations are influenced by the keen interest of stakeholders. Good Corporate governance doesn't means that it is the best example of good management. Its scope is more then. It includes best judgment, clear and meaning full transparency and financial matters and outstanding leadership style. It's all achieved when there is best governance system prevailing in the organizations. The essence of best CG is a framework which ensures effective accountability of management towards all its stakeholders.

Magdi and Nadereh(2002) Defines the corporate governance is the system which ensures that business can be successful only when set rules and procedures followed and then investor can get a fair advantage or return of business.

La Porta, et al. (2000) Defined, "Corporate governance basically is the system of under which the investors protects against the interest of insiders. He further explains the term insiders include the managers, CEO, shareholders. Corporate Governance is the system under which the external shareholders defend him against the exploitation of internal shareholders. He explains the internal shareholders mean the controls the whole system of the organization.

Maher and Anderson (1999) defines the corporate governance as it is focused on the ownership, their control, and explain the system of controlling the shareholders in the two heads that is the internal and external system of governance. Internal system is responsible for the management of corporate affairs while

the external system of governance is act when they are properly regulated. Both the systems are important for the growth and development of business. Both systems are necessary to promote corporate polices and principles.

The Cadbury Report (1992) elaborates that the system through which the corporations arecontrolled and managed. Professor Bob Ticker says that the corporate management is basically depends upon the good corporate governance system; if the system is working effectively then everything is going best.

Jensen and Macklin (1976) explain the corporate governance is real necessity to achieve the firm's objectives for the sake and interest of the stakeholders. To achieve the objectives there is a real necessity that there must be remarkable governance system in the organization so that to fulfills the firm objectives.
Report ofSEBI committee (India) on Corporate Governance(1992) elaborates that corporate governance system explains the true owners of the corporation and justify their responsibilities & rights. Thereport explains their values, ethics, corporate behavior and the situations under which the business activities are carried on. Reports says that the corporation runs by trustees called them directors and the directors are responsible for the business affairs management and these directors are responsible on behalf of the shareholders. The directors are also responsible for the management of the funds and their disbursement among various sectors.

According to OECD basically the corporate governance system is the mechanism that used to manage the corporate affairs. The system of corporate governance consists of the determination of rights and duties of shareholders, board of directors, various committees worked within the organization and the different participants who are directly or indirectly connected with the corporate affairs, such as the financial institutions (banking sector and non-banking sector) consumers, government and the community at all. Corporate governance is the set of procedures used for making and communicating decisions. Under that situation the organizations can easily achieve its targets and objectives conveniently through effective performance.

The relationship between Firm Performance and Corporate Governance Practices

There are many regulations and procedures designed to regulate the corporate governance principles. Many studies have been made to prove that firm performance is based on the corporate governance principles. There are many studies previously made in this regard which determines a strong relationship between corporate governance and firm performance. The variables taken for studies are includes: -

1. Board size, board independence Single or dual role of CEO, Christensen, Kent & Stewart (2010).
2. Board size, Board Independence, Ownership Structureand firm size. Kiel & Nicholson (2003);
3. Board size and independence, internal shareholders and external shareholders.Pham, Suchard& Zein (2007);
4. Board size, Board Independence and Ownership structure. Welch (2003);
5. Board size,shareholding, CEO Duality. Vintila&Gherghina(2012)
6. Board characteristics, board size and board independence. Ragothaman&Gollakota(2009);
7. Board independence, ownership structure and family control firms. Bhagat, Sanjai& Bolton (2008).

The best and effective corporate governance system provides fundamental governance system and structure and these helps to solve agency issues. The effective corporate governance system increases the confidence of the inventors and makes sure that the investors funds used more effectively and profitable way. The corporate governance system gives the best organizational system and structure within its framework. According to World Bank in 1999 explain and identify the corporate governance in two dimensions. One dimension is internal corporate governance and other factor is external corporate governance. The internal dimension includes protects shareholder's rights Board of Directors and check higher management. The external corporate governance checks the manager's attitudes with respect to customers, creditors, accountants, advocates and other professionals.

Corporate Governance in the Pakistani Context

In Pakistan the SECP also enforces the Code of Corporate Governance in March, 2002. The issuance of the Code is the milestone step and best reforms towards corporate transparency. The SECP revised the

governance Cods year to year basis. Many changes have been made in this regard by the SECP under the Companies Ordinance 1984. Rules made there under the companies are liable to follow the instructions but the companies are not bound to follow all of the provisions of the Code of Corporate Governance. Many recommendations have been made such as all the board members are liable to the shareholders and all the listed companies must conduct the internal audit and external audit procedure. The code of corporate governance also focuses on the internal control system, board policies and risk management.

Theories Related to Corporate Governance: Agency Theory

The agency theory derived by the Alchian and Demsetz. It is designed by the Jensen and Meckling (1976). This theory elaborates and defines the agent and principal relationship in the enterprise or entity. It discusses the relationship among the shareholders (called principals) and managers (called agents). The principal basic aim is that their agents work for them and take successful management decision and work for them to increase their wealth. So in that scenario the problem created called agency problem. There are two possible situations where the problem arises: -

a. Where there are two separate interests or dimensions fall and there is no similarity of the agent and principal interests.

b. When there are separate risks objectives in their minds both principal and agent.

So here there is agency problem may started between the principal and agent. The situation creates many problems among the principal and agent, such as financial losses, inabilities, poor decision making, bad governance practices etc. In that scenario the firm pay its agency cost.

According to Mallin, (2004). CEO dual role is one of the important element and tool to limit the agency problems. If the CEO and the Chairman of BOD are two different persons and perform their takes two separate persons then the problem of agency may be decreases. This is preferable because the CEO responsibility is related to the management while the Board Chairman major responsibility is watching, checking and monitoring.

Stakeholder Theory

This theory called Stakeholder theory was incorporated in 1970. The Freeman in 1984 introduces corporate accountability to increase the strength of stakeholder's theory. In this theory: -

- Managers are responsible to assist the stakeholders
- Managers working for the stakeholders
- Managers have an association with the stakeholders

Sundaram &Inkpen (2004) the stakeholder theory explain the stakeholder, that these are the persons who have some management interest. Further Donaldson (1995) explain that stakeholder is the groups in the business who want to take some advantage. Clarkson (1995) explain that the basic objectives of the companies to increase the wealth of the stakeholders.

Freeman (1984) the stakeholder theory emphases the associations with respect to the company and its stakeholders. Donaldson (1995) examined that this stakeholder theory focuses on stakeholder's interests and management decision process.

Khaled Abdelkader Muftah (2014) also examined the corporate governance impact on the firm performance. The empirical results of the study expressed that the corporate governance has positive and significant impact on the firm performance and its implementation is very important for the growth of the companies and overall economy of the whole country. He used secondary data which was obtained from the financial reports of 80 listed companies. Two years data were collected of the listed companies for the year 2010 and 2011. The companies were selected on the bases of availability of data of both years. The data were examined by the Statistical Package for the Social Sciences (SPSS).

Khaliq Ur Rehman Cheema *et al* (2013) also study the relationship among corporate governance (CG) and firm performance (FP). The researcher selects the variables for corporate governance are CEO Duality, Family Controlled Firms and Board Size, while the firm performance is measured by Earning per share, Return on

Asset and Return on Equity. He takes the data from the financial reports of the 15 cement companies in Pakistan listed on the Karachi Stock Exchange for the period of 4 years from 2007 to 2011.

Bilal Latif *et al.* (2013) also examined the data regarding the corporate governance and firm performance. The variables for the study are Board Composition, Board Size and CEO Duality while the firm performance is measured by return on asset. There are 83 sugar companies in Pakistan but only 12 companies select as a sample for analysis. There is a positive relationship between board size, CEO Duality and ROA, while there is insignificant relationship between board composition and ROA. The data was collected from the financial reports from the year 2005 to 2010.

Khatab*et al.* (2011) explain that business firms with excellent corporate structure performing well as compared to the business firms who have weak corporate structure. The organizations working weak corporate structure does not possess the huge market share and their overall performance remains low as compared to excellent corporate governance structure. He takes the data of 16 Insurance companies from their financial reports in Pakistan for the period from 2007 to 2010, and finds that there is a significant impact of the corporate governance variables on the firm performance.

Qaiser Rafique Yasser (2011) examines that the possible impact of corporate governance on firm performance. The empirical results of corporate governance show a positive and significant relation with the firm performance. The performance measurement is determined by return on equity and profit margin (PM). He takes 30 Pakistani listed companies data which is listed on the Stock Exchange in Pakistan for a period between 2008 to 2009.

Ibrahim *et al.* (2010) the performance of corporate governance is also identified by.The major sector for the study was Chemical sector and Pharmaceutical sector of Pakistan. The time period selected from 2005 to 2009. The results found that the corporate governance positively influence the ROE (Return on Equity) and also adverse reflection on the ROA (Return on Assets). Further the analysis of two sectors shows the different results. The corporate structure of the financial institutions is notably very much different from the other nature of business and very much different corporate governance structure.
Kim and Rasiah (2010) also conducted the study on the Malaysian business environment and find the relationship between corporate governance and firm performance of banks during the financial crises of Asian business markets. He conducted the research before and after the crises. He takes the independent variable as corporate governance proxy as Inventory to capital ratio, capital ratio and fixed asset, while the performance of banks were calculated by ROE (Return of Equity). Analysis of results shows which is conducted specifically for the banks importantly affect the bank performance in Malaysia.

Ehikioya (2009) explores that the ownership effectively and positively effects the firm performance of Nigerian business firms, but the results shows that no proof have been found that to support the board composition and performance of firms. CEO duality has an effective and positive influence on the firm performance. If there is more family members are involved in the decision making that will show the negative impact on the corporate governance system. The data was taken from the Chemical sector of 19 companies listed on the Nigeria Stock Exchange. The firm performance is measured by ROA; ROE while the corporate governance's measures by Board Size, Board Independence and Audit Committee Independence,

Bauer *et al.* (2008) analyze that the positive relationship between the corporate governance and the performance of the firm. He takes the data from 225 companies in Japan.

Heenetigala and Armstrong (2007) point outs that the corporate governance relationship with firm performance influenced by political and economic environment. He measures the corporate governance by separate leadership, board committee and board composition, while performance of the firm is measured by Tobin's Q and ROE (Return of Equity). Analysis identifies that after proper implantation of corporate governance rules and regulations firm business profits and market share enhanced significantly. The final results show that there is a significant relationship between the Corporate Governance and Firm Performance.

Javed & Iqbal (2007) explores corporate governance tools reflecting Board size, Shareholding patterns and transparency for sample 50 companies which is registered on the Karachi Stock Exchange. Conclusions identify that poor governance structure and poor performance reduce the productivity and cannot provide the effective management structure.
Rachinsky (2006) also study the data which he analyzed on 50 banks working in Russia and Ukraine. He identifies that the governance role and functions much significant positive influence on the banks. Further the bank who works under concentrated structure reflects weak corporate structure.

Magdi, R and R, Nadareh (2002) Corporate governance much important element for the companies and economic growth of the countries. The empirical result shows that the significant results and strong relationship between the corporate governance and firm performance. He Select the 30 Transport companies in UK as a sample.

Corporate Governance and Firm Performance
Examined the corporate benefits and growth the study of corporate governance system a very positive and significant attention have been made over a past decade Cheung *et al*., (2008); Ertugrul& Hegde, (2009). There are many studies have been made regarding the governance system and growth of the firm. Many attentions have been made in this regard in the developed countries; Bhagat & Black, (2001). Very few research activities have been performed regarding the establishment of relationship between the corporate governance and firm performance in developing countries Kajola, (2008).

Board Size and Firm Performance
Board size is one of the important feature of a good and best corporate governance system. The impact of board is one of the very key elements of the corporate matters and activities. The efficiency and ability of the board size is reflecting on the corporation growth. The firm performance is depend on board size is supporting of number of studies.

If the board size is small then there is a decrease in agency cost and gives best results. Jensen (1993); Singh & Davidson III (2003), also recommend that small board size reduces agency cost. McKnight & Weir (2009) identifies that there is a positive relationship between the board size and the firm performance. Kiel & Nicholson (2003) identifies that there is a positive relationship between the board size and the firm performance. Pearce and Zahra (1991)identifies that the large board size is more strong impact on firm performance and build powerful relationship between the stakeholders. Conger & Lawler (2009) specifies that there is no ideal board size. All the decisions are based on the skills and abilities knowledge and leadership.

The Board size is one of the very important construct for the performance of the firm. The board size abilities and engagements are reflects on the performance of the firm. A group of researchers prefers that there must be a small size of board members. Eisenberg, Sundgren& Wells (1998); and Lipton & Lorsch (1992) identifies that a small board size lower the agency cost.

ROE and ROA shows the significant results if the board size is small; Yermack (1996), study of 452 a sample of USA limited companies between the period from 1984 to 1991. Jensen (1993) large board size destroys the performance of the firm, and also reduces its value of the firm. Large board size creates many problems such as coordination, monitoring, communication, implementation and functioning. He further explains that a small board size increases the firm value and better understanding among the stakeholders. Large and too many members in the board are not coordinate with each other properly. Large board size and firm performance is negatively interlinked with each other. Jensen (1993) also specifies that the board size is up to 10 or fewer.
Naureen(2010), large board size provides the sound financial growth to the firm and on the other hand the small board size also provides growth to the firms and financial markets. Both the firm provides the sound base to the financial markets because every company performs best tasks and functions to provide economic growth.

Lipton & Lorsch (1992) explains that where the board size increases from seven members its functions and abilities are affected. Conger & Lawler (2009) explains that there is no hard and fast rule or idea for the board size. The thing is whether board size small or large it does not matter, the important argument is each member must be knowledgeable, possess reasonable skills and have a leadership qualities so that each member can easily understand his duties and responsibilities. Hillman, Keim& Luce (2001); examines that if the large board size the performance of the company will improves and the company utilize its resources more effectively.
Kiel and Nicholson (2003) also examined the relationship between the corporate governance and board size. He takes the data of 348 limited companies listed in Australia Stock Exchange. His findings are the positive relationship between the board size and firm performance.

Adams and Mehran (2005) investigated the USA banking sector to find the relationship between firm performance and board size. He also explores that the positive relationship between the board size and firm performance. He also investigated 25 banking companies and fined the positive relationship between board size and firm performance.

Audit Committee and Firm Performance
The audit committee is also one of the very important and significant elements of corporate governance system. Audit committee safeguards the rights and interest of the shareholders and also check on the financial reporting system of the firm Mallin, (2007).

Triki and Bouaziz (2014) examined that the audit committee effect is significant and positive impact on the firm performance. The firm performance is measured by ROA and ROE. He takes of 26 samples of Tunisian companies which are listed on the Tunis Stock Exchange. The time period is from 2007 to 2010.

Hamdan, Sarea and Reyad (2013) analyzed that the relationship between firm performance and audit committee. He takes the data of 106 financial companies listed on the Amman Stock Exchange. The period he took from 2008 to 2009 and their findings are that the audit committee has a very positive and significant impact on the firm performance.

Ghabayen (2012) also examined that the positive relationship between the audit committee and firm performance. He examined of 102 company's data taken from their annual reports. He applied the results on non-financial companies in Saudi companies.

Chan and Li (2008) examined that and very significant and positive relationship between the audit committee and firm performance.

Klein (1998), Analyzed that there is a significant relation between audit committee and firm performance. But this relation not significant if there are majority of the directors are independent directors exists in the board of directors.

CEO Duality and Firm Performance
CEO duality means that he performs the functions as a Chairman of Board of Directors and also same time he performs a function of Chief Executive Officer of the organization. The dual role tasks perform by the person is the policy of the organization. The CEO performs the functions as Chairman of Board of Directors and also as a Chief Executive officer he leads and manages to the company as chairman of board of directors (COB). The functions of chairman of board of directors are entirely different with the CEO of the company. Many functions are performed by chairman of board of directors and in many times the COB seek to advice from the CEO and needs to approver from the CEO for decisions. The Chairman of Board of Directors is responsible for the issue shares and debentures. Issue any instruments in the nature of redeemable capital, invest the company funds, approve bonus of employees, determined dividend, to allot shares and many more functions the Chairman of Board of Directors perform functions and need all these actions and implemented only prior to approval of CEO. On the other hand if we see the CEO he is the person who determines polices in order to achieve the company objectives, implement all the decision of the board of directors. The CEO responsible for

the consistent growth of the company and his performance is very much important for the company effective growth.

Many studies have been made regarding the CEO dual role. There is a strong relationship between CEO-Duality and firm performance. Krause and Semadeni (2013)

Many studies have been made regarding the determination of relationship between firm performance and CEO duality, but the analysis lacks consistency. For this purpose, Jackling and Johl (2009) examined the relationship. He examined the internal governance system and the financial efficiency of Indian companies. He analyzed that the position of CEO and as a chairman has an adverse and negative effect on the firm performance. If we see the previous research results then those results are also supported by Ujunwa (2012). He analyzed that that the CEO dual role is adversely and negatively linked with thefirm performance in Nigeria. Further the same analysis and studies made by the Rahman &Hanifa(2005), and Coskan&Syiliar(2012); Chaghadari, (2011) in which the same line has been taken that there are separate role of a CEO and chairman of the board of directors.

Rechner and Dalton (1991) examined the CEO dual role and takes a sample of 500 firms, and analyzed that the favourable relationship between the CEO duality and firm performance and has a strong relationship between the Dual role of a same person. Kiel and Nicholson (2003) examined that the separate leadership has no effect on the market value of the firms. Haniffa and Hudaib (2006) examined the relationship between the firm performance and CEO Duality. He studied 347 firms which are listed on the Kuala Lumpur Stock Exchange. He takes a time period from 1996 and 2000. His findings are the separate structure for leadership i.e. dual role of CEO not positively effect to the firm value. Chen, Lin and Yi's (2008) results shows that there is no positive relationship between CEO dual role and the performance of the firm.

Another study conducted by the Gullet et al. (2013) identifies that the CEO-Duality promotes the performance in the restaurants and has significant effect on the firm performance. CEO performs the functions as chairman of the board of directors which shows the adverse effects on the firm performance. Khan, Khurram, and Ali Raza Nemati; (2011). CEO duality significantly and adversely interlinked with the performance of the firm.

Chi, 2009; Conger & Lawler, (2009). This study based on the Stewardship Theory, which explores that the CEO dual role positively affects the firm performance. The CEO dual role gives the strong leadership structure. This is very much effective tool to promote the effectiveness and productiveness of the business affairs. Stoeberl&Sherony, (1985), Lam and Lee (2008). Explains that the managers doesn't performs any tasks which is against the interest of shareholders, because they focuses on their carrier growth and follow the instructions of their bosses, so this study also based on the ST regarding the role of CEO in the organization. This study proves that CEO dual role give the more and more opportunities to the organization. Shaheen, Rozina, and Mohammad Nishat; (2005). Corporate governance is not works properly if the same person performing dual functions as a chairman and CEO, because there is the maximum chance of conflict of interest.

Daily, Catherine M., and Dan R. Dalton; (2004). There is two different arguments regarding the functions and role of CEO, one argument is that the CEO and chairperson must be two different persons and their functions must be separated. If the firm combining the role of CEO and COB then there is a change of domination in the financial as well as other related issues. Fama& Jensen, (2003) Explain that the Agency theory identifies that the CEO dual role gives strength their power and interest in the business affairs. The decision about the management and decision about the control both things give the strong impact on the firm performance.

Cornett *et al*. (2008) examined the significant relationship found between the CEO Duality and firm performance. The researcher studies 100 firms from S&P index and takes the data from their financial reports. Daily and Dalton (1994) examined 14 publicly traded USA firms in transportation, retail and manufacturing area, and he also found a positive relationship between the firm performance and CEO Duality.

Yasser *et al.* (2011) identifies that except CEO duality all the corporate governance has positively associated with each other and provides best results. He also suggested that the board should have the mix structure i.e. the board consists of nonexecutive and executive directors for the betterment and future prospectus of the firm.

II. CONCLUSION

The final and concluding remarks are now beendiscussed. This conclusion is much important, which gives to the important argument or suggestions of the research and also very important area for the future success of the CG.

All the variables of corporate governance used in this study are very important with respect to the governance structure. Board Size, Audit Committee and CEO Duality, these are the variables of corporate governance results proves that they are enhancing the performance of the cement sector in Pakistan.

The study found the significant and positive relationship exists between the board size and firm performance. It means the present structure for board size is very much suitable for the success of the organization growth. Many previous studies recommend the large board size but, in this study, it is recommended that small board size has a strong relation with the firm performance.

It is not necessary that small board size is suitable for every sector or industry. The board size may vary from industry to industry. The audit committee is also enhancing the performance of the cement sector. The empirical result shows a positive and significant relationship exists with the performance of cement sector in Pakistan. It has a strong influence over the business performance. For the improvements of performance of the audit committee that there are more representations of the directors in the audit committee because this situation will focus the check and control on the performance of the business affairs.

The CEO Duality also shows a positive result with the return on assets, but the shareholders view point in this regard is different. CEO Duality is not match with the return on equity; this means that the shareholders opinion is quietly different. The results indicate that the shareholders not want to provide a very vast power and control to one person. If the person more powerful may cause to create problems, so Chairman of the Board of Directors and CEO are preferable two separate persons.

Business who engaged with the cement sector in Pakistan may enhance the performance by effective implementation of corporate governance regulations. Effective corporate governance polices boots the company operating, investing and financial performance. Each results indicates the positive results, board size shows the positive relation with the ROA and ROE, audit committee also shows a positive relation with the ROA and ROE. While CEO duality indicates a positive result with the ROA, but the ROE results are insignificance.

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