BOARD CHARACTERISTICS AND FIRM PERFORMANCE: EVIDENCE FROM PALESTINE

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ABSTRACT: *The objective of this research paper is to assess the relationship between the Return on Assets and Board Characteristics (Board independence, Board meeting, Board size, Board expertise, Company size and Company year of incorporation). The research consisted of examining companies listed on the Palestine Exchange with analysis undertaken through regression analysis. After studying the six variables, the researcher found the existence of only one relationship which was between the age of the organization/ year of incorporation and the company's Return on Assets (ROA). This paper provides a greater insight to understanding corporate governance in Palestine. The approach, taken in this paper, will enable companies to assess the true relationship between the Return on Assets to Board independence, Board meeting, Board size, Board expertise, Company size and Company year of incorporation. It will enable them, also, to find ways of ensuring these factors become more relevant to the organization's performance. Palestine is still a young country in relation to corporate governance and the outcome of this paper will enable companies to grow positively.*

KEYWORDS: Board Characteristics, Firm Performance, Corporate Governance, Palestine

INTRODUCTION

Nowadays, a dynamic business environment features the emergence of increased knowledge economies and enhances both global competition and innovative business practices; these are now at the core of any competitive business advantage (Lawson & Samson, 2001 p. 378). According to Garengo, Biazzo and Bititci (2005) in this modern age, businesses strive to satisfy their customers who are central to the organization and, nowadays, demand from organization quality products and services in a professional manner. Consequently, a proper governance mechanism has to be incorporated in order to ensure that the organization functions well with due consideration to the needs of its various stakeholders.

It is the board's role to monitor the organization's management which, then, hinders agency costs (Roberts, McNulty & Stiles, 2005). According to Cadbury (1992, p. 15) the board of directors plays a pivotal role in corporate governance and is appointed by the shareholders to govern the company. Therefore, according to Shleifer and Vishny (1997, p. 737), the board is charged with governing the organization and has corporate governance to ensure that those, who invest in the company, are able to obtain a return on their investments. In this respect, the board has the legal mandate to protect the right of investors as well as their shareholders. According to Alzoubi and Selamat (2012, p 21) the board of directors' key role includes the "*setting of goals*" and strategies and increasing the asset value of the firm. According to Alzoubi and Selamat (2012), other roles include the responsibility of ensuring that the company administers and presents its financial statements in a transparent and fair manner. The board is accountable, also, for every activity in which the firm is involved together with formulating the

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strategies and being accountable for the firm’s financial performance (Alzoubi & Selamat, 2012).
Since the board’s responsibility cuts across the entire organization, then it becomes vital to ensure the organizations are not found to have engaged in malpractices as demonstrated by organization such as Enron and Lehman Brothers.

The Return on Assets (ROA) is the accounting technique which is used to measure corporate governance in an organization (Fooladi, 2012, p. 688). Klein (1998) utilized this technique as a performance indicator. However, Lo (2003) utilized, also, Return on Equity (ROE) as a performance indicator for corporate governance. The benefit of utilizing ROA as a performance indicator is that this method is able to show the outcome result derived from a particular capital asset which the company has invested in the company (Epps & Cereola, 2008). This method is vital since the primary goal of running a company is to earn profits and, therefore, the board’s performance is assessed best by using this accounting technique.

Palestine, which is a developing country, has taken tremendous strides towards corporate governance (Awartani, 2000). Awartani (2000) pointed out that the country had still barriers in its legal system, due to having little harmonized regulatory framework in place but this was not vital in enhancing the corporate framework. However, in recent years, the government created the Palestine Capital Market Authority (PCMA) to oversee the country’s securities market. Other bodies, such as the Palestinian Monetary Authority (PMA) now have written principles guiding corporate governance in the banking sector (Abdeen, 2009).
With a particular emphasis on Palestinian corporations, this research paper determines as well as assesses the role of the board which is vital to ensuring organizations’ effective performance.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

This section examines the existing literature about the board of directors and its effects on the organization’s performance. The researcher assessed in a systematic manner existing theories and models.

Corporate Governance

The conceptualization of corporate governance is attributed to the organization for economic co-operation and development (Mousavi & Moridipour, 2013). According to Mousavi and Moridipour (2013), corporate governance is described as a system whereby organizations are managed and controlled together. Corporate governance consists, also, of the manner in which the organization’s liabilities are managed. According to Durnev and Kim (2005), corporate governance is composed of several aspects such as legal and environmental factors which then allow the organization to receive a steady stream of finance and ensure that the interests of the organization’s stakeholders are meet. Corporate governance affects the stock prices of listed companies and, hence, has a significant effect on their liquidity positions as was evident in the case of Lehman Brothers Chen, Chung & Liao (2007). Companies, perceived to have poor governance issues, have a falling stock price due to a larger percentage of asymmetrical data. According to Turban and Greening (1997), experimental research revealed that companies, which had good governance, had improved performance. According to Newell and Wilson (2002), good governance is an indication that those investors will have confidence. Lazonick

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and O'sullivan (2000) noted that corporate governance was a mechanism which corporations used to ensure that managers were able to maximize the return on the shareholders' investments. Corporate governance enhances fairness as well accountability and transparency within the corporation (Luo, 2005). According to Macey and O'hara (2003) and McGee (2009), it signifies the organization's increased performance since it eliminates risks and aids the decision making process. According to La Porta et al., (2000), corporate governance provides for a more healthy securities market by hindering speculative behavior and by ensuring that manipulative financial practices are eradicated from the financial markets. However, this is not the case with some executives refusing to comply with ethical conducts which are a prerequisite for corporate governance. According to Finkelstein and Mooney (2003), there is a debate as to how far the board should ensure that they obtain the best returns for the shareholders. Instances of malpractices do occur when the corporation's underlying ambition is to derive greater levels of profits as exemplified in corporations such as Barclays bank. However, echoing the sentiments that a company has corporate governance policies does not mean that in effect, it is guaranteed to perform better. The governance system should be effective in its undertakings for the organization (Daily, Dalton & Cannella, 2003). For effective corporate governance, a company has to have principles which are instrumental in ensuring total transparency,control and accountability.

Most organizations, which have shareholders, have a board of directors. This is a legal requirement which all companies are mandated to have. As a result of organizations having boards, it is vital to assess their effectiveness based on different variables to performance (Hermalin & Weisbach, 2001). Corporate governance is an important aspect of boards and it is vital in determining who they are, what they do, and what their responsibilities are.

Board Independence

Literature in corporate governance and especially those undertaken through experimental research, reflected on the independence of the boards. According to Ramdani and Witteloostuijn (2010), the agency theory stipulates that a higher level of directors work to enhance the firm's performance. However, the agency theory assumes that managers work for their personal gains and,hence, are opportunistic and, consequently, there is a need for their performance to be monitored by a board. Furthermore, Ramdani and Witteloostuijn (2010) stated that when a board was independent, it was able to monitor effectively that company's senior executives and as a result this hindered them from pursing activities which were regarded as self-interest. According to Eisenhardt (1989); Fama (1980), Fama and Jensen (1983) and Jensen and Meckling (1976), directors, who sit on independent boards, do not face any obstacles such as pursuance of personal interests in the company. Hence, according to Ramdani and Witteloostuijn (2010), an independent board is able to perform its role effectively and satisfactorily. On the other hand, the stewardship theory stipulates that, when the board consists of insiders, this bring about the best result from the board as opposed to those boards which consist of outsiders. This assumption is based on the notion that, when the board consists of insiders, they form a collective union of people who are organized since they are already knowledgeable about the organization (Ramdani & Witteloostuijn, 2010). Furthermore, Donaldson (2001) supported this view by stating that insider directors were more informed and, hence, they were better able to make decisions based on relevant and up to date information. These assumptions are based on the stewardship theory which states that managers are better able to manage the organization since they are stewards of its shareholders (Ramdani

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& Witteloostuijn, 2010). Dalton et al (1998) was able to research this assumption and did so through an empirical approach. However, the research showed a mixed outcome from deriving a relationship between the organization's independence and its performance. The research revealed that the composition of the board percentage of independence to the board leadership and CEO duality had a relationship to the performance of the board. Also, other mixed research outcomes were recorded when measuring the relationship between board leadership; CEO duality and their relationship to the performance of the board. Coles, Daniel and Naveen, 2008; Daily and Dalton, 1992, 1993; Ezzamel and Watson, 1993; D'Aveni & Kesner, 1993.; and Pearce and Zahra, 1992 supported the agency theory and Bhagat and Black, 2002; Kiel and Nicholson, 2003; Yermack, 1996 supported the stewardship theory. Al Farooque et al., 2007; and Cheung, Raub; Stouraitis, 2006 supported both theories.
H1: There is a significant relationship between board independence and return on assets.

Board meetings
It is the mandatory responsibility of the board members to attend board meetings. According to Ronen and Yaari (2008), when managers are obliged to their responsibility of attending meeting, this allows them to vote on important decision-making plans. Vafeas (1999) found that board meetings tended to increase when the company was faced with a falling share price this situation was reversed later with better performance of the company. Consequently, this ideal seeks to establish the fact that, when the board members meet frequently, it is instrumental to improving the organization's performance (Conger et al., 1998; Ronen & Yaari, 2008). However, Jensen (1993) found that, due to time restrictions, the boards were unable to influence the organization effectively of their directives. Furthermore, Jensen (1993) noted that the board meetings were organized mostly by the CEO with inherent problems. Krishnan and Visvanathan (2009) disputed the arguments of the board's effectiveness and said that since the board put pressure on the auditors for more reports which, in effect, increased controls within the organization and reduced the chances of malpractices in the organization.
H2: There is a significant relationship between board meeting and return on assets.

Board size
Literature about the board size has seen various attempts to ascertain its influence on the organization's performance. According to Jensen (1993), when compared to smaller sized boards large sized boards are relatively less effective in pursuing their agendas. These sentiments were supported by Lorsch (1992) who conveyed this assumption by stating that, as boards became larger, they were faced with agency problems which resulted in only boards members being attracted to the position and, consequently, they were unable to deliver their mandate as board members. The claim made by Lorsch (1992) was examined by Yermack (1996) who was able to support this claims based on his findings which consisted of measuring the board size in a sample of American companies. According to Eisenberg et al. (1998), his research was able, also, to reveal that a negative correlation existed between the size of the board to the value of the firm. Other researchers were able to use other different measures to ascertain the size of the board against key variables. According to Hermalin and Weisbach (2001), a smaller board was better at "*monitoring management.*"

H3: There is a significant relationship between board size and return on assets.

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Boards Expertise

The board is charged with corporate governance. According to Fama (1980), the shareholders govern the board's mandate of the organization. Furthermore, Fama and Jensen (1983) stated that, since the board was mandated to supervise the organization they were required to have the knowledge which would allow them to carry out their roles perfectly. According to Vo and Phan (2013), such skills should be in marketing, IT, accounting and legal issues affecting the organization. According to Carcello et al. (2002), those board members, who have experience, know what to ask from the organization's auditors to bring about a better audit process within the organization. Consequently, this means that all the board's members are able to contribute positively to the decision making process. In turn, this leads to the organization achieving a better performance with increased experience (Vo & Phan, 2013). According to Marrakchi Chtourou, Bedard, and Courteau (2001), those directors, who have sat on the board for a long time, are less likely to be engaged in accounting malpractices. According to Alzoubi and Selamat (2012), Chtourou et al.'s 2001 and Carcello et al.'s 2002 studies revealed that, higher level of board expertise resulted in a greater level of motivation for monitoring the organization's operations.

H4: There is a significant relationship between board expertise and return on assets.

Company size

Research, which was carried out on company size, focused on the company size in relation to an organization's performance of. The size of a company has a direct correlation to openness in the organization. According to researchers such as Li, Pike & Haniffa (2008) and Shareef and Davey (2006), the size of a company affected the disclosure of information which the company was able to give to the public. According to An, Davey and Eggleton (2011), studies, undertaken into company size and performance in Chinese companies revealed that the total assets, as represented using IFRS, showed inconsistencies in the definitions of the companies' material facts. Maffini Gomes, Kruglianskas and Scherer (2009)'s study, which examined the influence of company size to the external resources, revealed that, when compared to innovations based on the management structure, there existed material differences .

H5: There is a significant relationship between company size and return on assets.

Company year of incorporation

There has been little research when it comes to company year of incorporation on return on assets. Different perspectives have been used to assess the company's age to performance. is a concept by Pastor and Veronesi (2003) conceptualized the risk view in which they stated that, the longer a firm existed, the less uncertain shareholders were with the firm. Berger and Udell (1990) were other researchers who affirmed this assumption. Adams, Almeida, and Ferreira (2005) found, also, out that stock volatility reduced with the age of the company. However, according to Loderer and Waelchli (2009), when it comes to profitability, older organization show declining levels of profits due to reduced level of risks.

H6: There is a significant relationship between company year of incorporation and return on assets.

Corporate Governance in Palestine

There has been little research undertaken about corporate governance in Palestine. Researchers, such as Abdelkarim and Alawneh (2009) whose results were carried out about corporate governance in the country, revealed that there was a negative correlation between concentration

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of ownership and the company's value. According to Adelkarim and Ijbara (2010), research, undertaken to establish the correlation between corporate governance and performance in Palestine, showed that concentration of ownership existed in the country and that, in turn, this hindered the development of corporate governance.

The reason for the existence of such barriers was due to Palestine's enforceable codes of corporate governance. There was a need for a greater level of regulation to be placed in Palestinian private firms with particular interests, namely, those listed on the country's stock exchange. There was a need for a stricter Capital Market Authority in order to enforce compliance on those firms which were seen to be evading it. In Palestine, the administrative and financial oversight bureau still lacks the authority to monitor private sector companies. This is an activity which needs to be taken into account when, for a better performing business sector, it comes to compliance with corporate governance.

METHODOLOGY

This research paper used secondary information. The data for this research paper was collected from all 48 listed companies on the Palestine Exchange. The information consisted of data pertaining to four years from 2010 to 2013. Data pertaining to the board characteristics and performance was derived from the company annual reports of the chosen organizations. The firms' performances were derived from the chosen companies' financial reports. This research used the information to assess the relationship between the Return on Assets (ROA) to Board independence, Board meeting, Board size, Board expertise, Company size and Company year of incorporation.

Model specification

Return on assets (ROA) is the measurement utilized to measure a firm's performance. ROA is the earnings before tax divided by the firm's total assets. Multiple regressions was used to measure the ROA against that derived from on the Board independence, Board meeting, Board size, Board expertise, Company size and Company year of incorporation. Multiple regression analysis is a statistical analysis technique which is able to calculate the unknown aspect of a variable from the predicators' key to this research paper.

This study used the following model of Multiple Regression.

1. $RoA = \beta_0 + \beta_1\, BoInd + \beta_2\, BoSize + \beta_3\, BoM + \beta_4\, BoExp + \beta_5\, TotAst + \beta_6\, Age + \varepsilon$

Where;
RoA =the dependent variable
β_0 = Constant or intercept
and dependent variables are
BoInd = Board Independence
BoSize = Board Size
BoM = Board Meetings in a year
BoExp = Board Expertise (Dummy variable)
TotAst = Total Assets in thousands of USD
Age = No. of years in business
ε = Error Term

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RESULTS/FINDINGS

This section makes an assessment of the results and findings. This research paper's hypotheses were in order to determine whether or not they held up to their theoretical assumptions. This section consists of the descriptive data which was analyzed first, followed by the analysis of the multiple linear regressions and, finally, a discussion of the results

Descriptive Statistics

Table 1.1 Descriptive Statistics for all Four Years from 2010 to 2013

	N	Minimum	Maximum	Mean	Std. Deviation
RoA	192	-31.69	27.97	1.6817	7.53289
BoInd	192	.60	1.00	.9189	.10374
BoSize	192	5	15	8.98	1.988
BoM	192	1	13	5.79	1.690
BoExp	192	0	1	.91	.292
TotAst	192	2659	2348045	150893.12	318912.151
Age	192	0	68	19.88	13.820

Table 1.1 consists of the descriptive statistics which gives a snap shot of the data and the relationships which exist within the presented data's variables. Board independence stood at close to 91% with a minimum of 60% and maximum of 100%. The board size was approximately 8.98 with a minimum of 5 and a maximum of 15. The number of board meetings ranged from a minimum of 1 to a maximum of 13 with an approximation of 5.79. The total assets of the Palestinian firms were approximately $150,893.1 with a minimum of $2,659 and maximum of $2,348,045. Board experience ranged from 1 to zero, where 1 meant board members had at least one board member with financial experience, and Zero for board members with no financial experience. The age of corporation ranged from a minimum of 0 to a maximum of 68 years with an approximation of 19.88.

According to Figure 1.1, the results, showing the ROA, reveal a large deviation amongst Palestinian firms. The results reveal a mean performance of 1.7%. The minimum reported performance stood at -31.2% and a maximum of 27.8% and the standard deviation between the companies stood at 7.5.

Correlation Analysis

The researcher carried out a correlation analysis of dependent variable with independent variables in order to answer the hypotheses laid down for this study. The correlations are given in Table 1.2. It is evident from the table that the dependent variable performance return on assets is unrelated to board independence, board size, board meetings board expertise and company size. The only significant relationship between years of incorporation assets and ROA is that the company's age affects its performance. As shown in Table 1.2, this had either a significant level or 0.000 which was less than 0.5.

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Table 1.2: Correlations of Variables

		Return on Assets	Board Independence	Board Meeting	Board Size	Board Expertise	Company Size	Year of Incorporation
Return on Assets	Pearson Correlation	1	-.020	-.061	.094	-.085	.079	-.293**
	Sig. (2-tailed)		.787	.401	.194	.241	.277	.000
	N	192	192	192	192	192	192	192
Board Independence	Pearson Correlation	-.020	1	-.029	-.003	.036	.135	.155*
	Sig. (2-tailed)	.787		.691	.966	.619	.062	.032
	N	192	192	192	192	192	192	192
Board Meeting	Pearson Correlation	-.061	-.029	1	.001	-.284**	.263**	-.128
	Sig. (2-tailed)	.401	.691		.994	.000	.000	.076
	N	192	192	192	192	192	192	192
Board Size	Pearson Correlation	.094	-.003	.001	1	.160*	.282**	.051
	Sig. (2-tailed)	.194	.966	.994		.027	.000	.479
	N	192	192	192	192	192	192	192
Board Expertise	Pearson Correlation	-.085	.036	-.284**	.160*	1	.137	.032
	Sig. (2-tailed)	.241	.619	.000	.027		.058	.664
	N	192	192	192	192	192	192	192
Company Size	Pearson Correlation	.079	.135	.263**	.282**	.137	1	-.198**
	Sig. (2-tailed)	.277	.062	.000	.000	.058		.006
	N	192	192	192	192	192	192	192
Year of Incorporation	Pearson Correlation	-.293**	.155*	-.128	.051	.032	-.198**	1
	Sig. (2-tailed)	.000	.032	.076	.479	.664	.006	
	N	192	192	192	192	192	192	192

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

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

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Regression analysis for 2010-2013

Table 1.3: Summary of the Regression Model for the Four Years from 2010 to 2013

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.351	.123	.095	7.16598	.123	4.343	6	185	.000398

Table 1.4 shows the results between the CG variables (BoInd, BoSize, BoM, BoExp, TotAst, Age) and firm performance variable (ROA).

Hypothesis 1- Our first hypothesis is: "There is a relationship between board Independence and firm performance (RoA)."

Table 1.4 describes that the coefficient of the variable BoInd was 1.729 with a p-value of 0.738 (>0.05). Consequently, we could not conclude that there was some association between board independence and firm performance (ROA).

Hypothesis 2- Our second hypothesis is: "There is a relationship between board Meetings and firm performance (RoA)."

The regression coefficient for Board Meeting was -0.674 with a p-value of 0.048. It indicated that Board Meeting had a significant effect on a company's performance. This effect was negative when more meetings resulted in a reduction in the company's performance.

Hypothesis 3- Our third hypothesis is: "There is a relationship between the size of the board and firm performance."

The analysis shows that the size of the board has significant connection with the company's performance (ROA) at 10% level of significant with a p-value of 0.095. However, if we consider a 5% level of significance then there is no significant relationship between board size and ROA.

Hypothesis 4- Our fourth hypothesis is: "There is a significant relationship between board expertise and return on assets."
Board expertise has insignificant effect on the company's performance. Table 1.4 describes that the coefficient of the variable BoExp is -3.682 with a p-value 0.56 (>0.05). Consequently, it cannot be concluded that there is some association between board expertise and ROA (firm performance).

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Hypothesis 5- Our fifth hypothesis is: "There is a significant relationship between company size and return on assets."

In this respect Table 1.4 describes that the coefficient of the variable TotAst is .0000000914 with a p-value 0.625 (>0.05). Consequently, it cannot be concluded that there is some association between company size and ROA (firm performance).

Hypothesis 6- Our fifth hypothesis is: "There is a significant relationship between company year of incorporation and return on assets."

The dependent variable firm performance depends significantly on the company's age. This shows that a one-year increase in age of the company increases 0.166 in the firm performance. Table 1.4 describes that the coefficient of the variable Age is .166 with a p-value .000038 (<0.05); this shows that there is a significant relationship between the company's year of incorporation and ROA (firm performance).

Table 1.4: The Coefficients of Multiple Regression Analysis for the Four Years from 2010 to 2013

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-.289	6.417		-.045	.964	-12.950	12.372
	BoInd	1.729	5.156	.024	.335	.738	-8.444	11.902
	BoSize	.465	.277	.123	1.680	.095	-.081	1.010
	BoM	-.674	.339	-.151	-1.989	.048	-1.342	-.005
	BoExp	-3.682	1.912	-.143	-1.925	.056	-7.455	.091
	TotAst	.000000914	.00000187	.039	.490	.625	-.00000277	.0000046
	Age	.166	.039	.305	4.223	.000038	.089	.244

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Summary of Hypotheses

Table 1.5: Summary of Outcomes of Hypotheses

Hypothesis	Relationship	Findings
H1	Board independence and return on assets.	No relationship
H2	Board meeting and return on assets.	No relationship
H3	Board size and return on assets.	No relationship
H4	Board expertise and return on assets.	No relationship
H5	Company size and return on assets.	No relationship
H6	Company year of incorporation and return on assets	Relationship

DISCUSSIONS

Hypothesis 1

The results, shown in Figures 1.2 and 1.4 are the outcomes from study of the relationship between the Return on Assets (ROA) to Board independence, Board meeting, Board size, Board expertise, Company size and Company year of incorporation. The first hypothesis stated that there was a relationship between Board independence and return on assets. According to the analysis from Table 1.2: Correlations of Variables and from Table 1.4: Coefficients of Multiple Regression Analysis, the results indicate that the dependable variable showed no correlation. These results were in line with Dalton et al. (1998) whose research showed a mixed outcome from deriving a relationship between the independence of the corporation and the performance of the organization. This was contrary to the opinions of Eisenhardt, 1989; Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976; and Ramdani & Witteloostuijn, 2010 who considered that the level or independence had a positive effect on the organization.

Hypothesis 2

The outcome of the second hypothesis resulted, also, in the same outcome as hypothesis 1. The results from Tables 1.2 and 1.4 showed there was no relationship between the Board meeting and return on assets. The literature showed some researchers who supported the outcome of this hypothesis. Jensen (1993) found that, due to time restrictions, the boards were unable to influence the organization effectively of their directives to. This outcome went against what Conger et al. (1998) and Ronen and Yaari (2008) noted when they said the frequency of board meetings led to better performance.

Hypothesis 3

The outcome from the board size in relation to the firm’s performance revealed that as shown in Tables 1.2 and 1.4, there was no relationship between the two variables. This outcome was confirmed by Jensen (1993) who said that compared to smaller boards; large boards were

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relatively less effective in pursuing their agendas. Also, Lorsch (1992) conveyed this assumption by stating that, as boards become larger, they were faced with agency problems resulting in board members who were only attracted to the position and were unable to deliver their mandate as board members

Hypotheses 4 & 5

As shown in Tables 1.2 and 1.4, the results from hypotheses 4&5 revealed that there was no relationship between board expertise and return on assets and company size and return on assets to the performance of the firm. This went against previous researches undertaken by Alzoubi and Selamat (2012) Chtourou et al.(2001) and Carcello et al. (2002) who revealed that a higher level of board expertise resulted in a greater level of motivation for monitoring the organization's operations. However, according to the outcome, this did not have any effect on the organization's performance. According to Sharif, and Davey (2006), the size of a company affected the disclosure of the information which the company was able to give to the public. These sentiments were in line with the research outcomes.

Hypothesis 6

As shown in Tables 1.2 and 1.4, the outcome of the results revealed that when all the variables in this research paper were considered, the age of the organization was the only relationship which had a significant relationship. Also, Pastor and Veronesi (2003) validated these results when they stated that, the longer a firm existed, the less uncertain shareholders were with the firm. However, these results went against Loderer and Waelchli (2009) who said that, when it came to profitability, older organizations showed declining levels of profits due to reduced level of risks.

IMPLICATIONS TO RESEARCH AND PRACTICE

This paper provides a greater insight to understanding corporate governance in Palestine. The approach, taken in this paper, will enable companies to assess the true relationship between the return on assets to Board independence, Board meeting, Board size, Board expertise, Company size and Company year of incorporation and find ways of ensuring that these factors become more relevant to the organization's performance. Palestine is still young to corporate governance and the outcome of this paper will enable companies to grow positively.

CONCLUSION

The objective of this research paper was to assess the relationship between the return on assets to Board independence, Board meeting, Board size, Board expertise, Company size and Company year of incorporation. The research paper consisted of examining companies listed on the Palestine Exchange with analysis undertaken through regression analysis.

From studying six variables to find their relationship to the company's performance, the research paper was able to establish only one relationship. This was found to exist between the organization's age/year of incorporation to the firm's return on assets.

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FUTURE RESEARCH

Corporation governance is still a relatively new management practice in Palestine since a greater level of regulation is attached to corporate company law. Despite endeavors from Palestine's securities market to bring about a form of regulation of corporate governance, such implementation has not been effected. Future research should be undertaken to establish the level of compliance to corporate governance.

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