



## Case Study

# Corporate governance and its impact on organizational effectiveness, Greater Amman Municipality case study

Shareaf Atef Al Shbeal

Director of Processing Circuit Greater Amman Municipality

Accepted 13 September, 2016

This study demonstrate the impact of corporate governance on organizational effectiveness in the Greater Amman Municipality, questionnaire was used to measure corporate governance, this questionnaire was developed by the Council of the Asia Securities to measure corporate governance with the exclusion of some of the paragraphs which doesn't fit with the current study environment, it included seven criteria namely (discipline administration, transparency, independence, accountability, responsibility, justice, social awareness) the questionnaire was distributed among fifty managers in the Greater Amman Municipality, where organizational effectiveness was measured by reviewing the files, annual reports, and managers rebounds. The results of the study showed that there is an impact of corporate governance on organizational effectiveness, and the current study concluded that the Greater Amman Municipality has received a good level of governance, and this is a positive sign of the importance of corporate governance. As well as GAM's commitment to the standard of transparency and this is indicated by the results of the study where the Municipality issued the annual report with the information it contained. The study reached some recommendations the most important was the need to elevate the Greater Amman Municipality at the level it has reached from the application of corporate governance standards and work to upgrade them to the highest levels. As well as seminars and lectures for managers and heads of departments and staff held on the subject of corporate governance due to its impact on organizational effectiveness.

**Key words:** Greater Amman Municipality, Corporate Governance, Organizational Effectiveness

## INTRODUCTION

The subject of corporate governance is one of the issues that captured the attention of researchers, professional organizations, and official and civilian relevant authorities both in the developed and in developing countries, and the original need for the corporate governance derived of the separation between the ownership and management of publicly owned enterprises (Manzoo, 2009).

Corporate Governance is also considered of the modern management systems, which is followed recently in many developed and developing countries, the term

governance has been emerged along the lines of terms such as: Privatization and Globalization, all of which are modern terms on the economies of developing countries and institutions.

Attention to corporate governance system increased in the last few years, due to the financial collapse, economic crises that many countries and financial markets, and businesses have witnessed, the most important causes are: lack of full disclosure and transparency with respect to the accounting and financial information, and the absence

of the role of oversight and accountability for many companies, and economic units in the financial markets (Saba Ahmed, 2010).

Since most previous studies have focused on the theme of corporate governance as a theme for companies and financial profitability and measuring its impact on the financial performance of those companies and institutions, the researcher initially address this issue and measure its impact on organizational effectiveness, with reference to the absence or scarcity of scientific research, which focused on this topic, this study has been applied to the Greater Amman Municipality, at a time when all previous studies were limited to corporate governance for only some of the principles and foundations of governance such as the theme of the disclosure and transparency.

### **The Importance of the Study**

The overall importance of the study emerged from the appearance of the subject of corporate governance within the concerns and issues of concern and financial management thought in recent years among many institutions, including the Greater Amman Municipality, and the introduction of the principles and rules of corporate governance and its impact on the performance for the same institution, the importance of the study also lies on the modern subject of Corporate Governance when this subject was given attention by researchers and international organizations, and what will be of utmost importance in a statement of the impact of the corporate governance on the organizational effectiveness in the Greater Amman Municipality, and this study will try to contribute to the improvement of the administrative chain of operations for the institution.

### **The Problem of the Study**

The corporate governance is considered of the most modern management systems that ensure better performance by stimulating the administration, and the emphasis on integrity, and ability to meet its obligations and ensure the achievement of corporate objectives in a legally and economically way, especially that related to the responsibilities of administration and activating the role of monitoring and supervising the performance of the corporate form in which lead to safeguarding the interests of all parties, as this study attempts to identify the most important reasons that lead to the existence of poor performance levels in the Greater Amman Municipality and its branches.

### **The Objectives of the Study**

The study objectives are summarized in the following points:

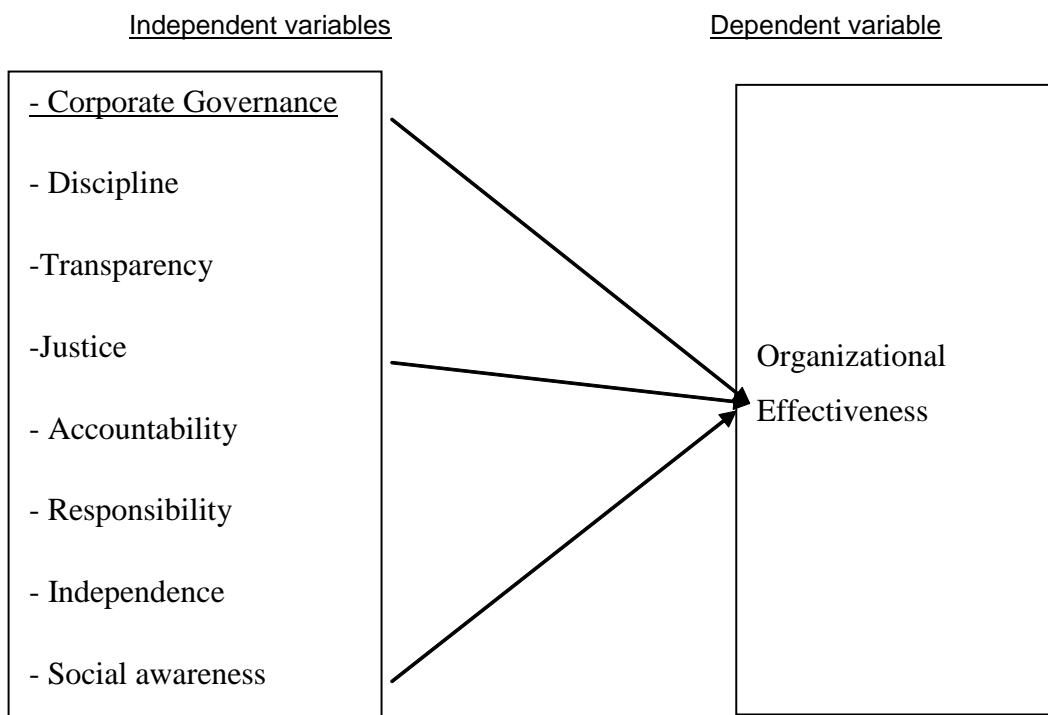
1. Show the impact of corporate governance on organizational effectiveness in the Greater Amman Municipality statement.
2. Develop a theoretical framework for the topic of corporate governance, which is one of the important topics, especially in Arab literature, where there are no Arabic studies on this subject within the limits of knowledge of the researcher - so this study will contribute to the subsequent scientific research support.
3. To reach positive results and conclusions of this study which supports scientific knowledge.

### **Hypotheses of the Study**

Based on the study problem and using as susceptible previous studies for each of the relevant hypotheses the hypotheses of this study were formulated as follows:

- The main hypothesis: There is a relationship between Corporate Governance for the Greater Amman Municipality and organizational effectiveness. The following sub-hypotheses embedded from this hypothesis:
  - The first hypothesis: there is a relationship between the principles of discipline of Greater Amman Municipality and its organizational effectiveness.
  - The second hypothesis: There is a relationship between the principle of independence of the Greater Amman Municipality and its organizational effectiveness.
  - The third hypothesis: there is a relationship between the principle of justice at Greater Amman Municipality and its organizational effectiveness.
  - The fourth hypothesis: there is a relationship between the principle of social awareness of the Greater Amman Municipality and its organizational effectiveness.
  - The fifth hypothesis: There is a relationship between the principle of transparency at Greater Amman Municipality and its organizational effectiveness.
  - The sixth hypothesis: There is a relationship between the principle of accountability at Greater Amman Municipality and its organizational effectiveness.
  - The seventh hypothesis: There is a relationship between the principle of responsibility at the Greater Amman Municipality and its organizational effectiveness
  - The eighth hypothesis: The corporate governance affects the organizational effectiveness.

**The study model**



**Study Approach**

The researcher used descriptive analytical method for the analysis of the data and identify the impact of corporate governance on the organizational effectiveness of the Greater Amman Municipality and with the aim of testing hypotheses related to the study and using of statistical program (SPSS) to reach the targets set in the framework of this study were means and Pearson correlation coefficient and simple linear regression analysis were used to test the hypotheses of the study.

**The population of the Study and its Sample**

The population of the study consisted on all departments and senior management executives in Amman Municipality, the tools of the study were distributed among all the departments managers totaling (200) director of the Supreme directors of departments in the Greater Amman Municipality to investigate the impact of corporate governance on organizational effectiveness in the Greater Amman Municipality.

**The Study Tools**

In order to measure the corporate governance a questionnaire was used to collect the raw data, which is considered the main source to obtain the data and information relating to the practical part of the study with

regard to the measurement of corporate governance, which is a binary scale (yes, No) which was developed by the Council of the Asia Securities (CALS) to evaluate the performance of companies, summarized in seven enterprise standards for governance, according to the standards tested in previous studies for each of (Copria and leavin, 2007) and the study of (Haiyan Zhang, 2008) its paragraphs has been adapted to align with the study environment, and it was distributed to managers in Greater Amman Municipality, the questionnaire included two parts:

**Part I:** it includes a set of shortcut definitions about corporate governance and standards to measure it and it was as follows (the discipline of the administration, transparency, independence, accountability, responsibility, justice, social awareness).

**Part II:** it includes seven axes each one of them included a series of questions which were 53 questions divided into seven axes, were as follows:

- The first axis: it measures the discipline of management and has been allocated seven paragraphs.
- The second axis: it measures transparency and has been allocated ten paragraphs.
- The third axis: it measures the independence and has been allocated eight paragraphs.
- The fourth axis: it measures the accountability and has been allocated eight paragraphs, too.
- The fifth axis: it is related to responsibility and has been allocated six paragraphs.

- The sixth axes: it is related to justice and has been allocated ninth paragraphs, and the last axes is
- The seventh axes: it is related to social awareness and has been allocated five paragraphs.

### Sources of Data Collection

- a. Primary Sources: A questionnaire was used as a major source for the collection of information concerning the practice of corporate governance in the Greater Amman Municipality and its impact on organizational effectiveness.
- b. Secondary sources: the sources that have been reliable in the formation of the theoretical framework whether books, periodicals, and Arabic and foreign references that addressed the research topic of the study as well as researches, letters and previous studies related to the topic.

### The Definition of Terms

**Corporate Governance:** it is a set of mechanisms and procedures, laws and decisions and systems that include both the discipline and transparency, justice and accountability, independence, responsibility and social awareness and all these pose the variables of measuring corporate governance, and it aims to achieve quality and excellence in performance by activating the actions of Enterprise Manager with respect to utilization of available resources it has with respect the best possible benefits to all parties with a benefit for society as a whole.

**Discipline:** to follow the appropriate and proper moral conduct.

**Transparency:** means the disclosure in a timely manner all the information in a sufficient degree and relating the functioning of the Greater Amman Municipality and its ownership.

**Independence:** it means there are no effects or pressure which is not necessary to work.

**Justice:** it means that the Greater Amman Municipality management undertakes to protect the interests and rights of employees and the recipient of the service, and emphasizes the equal treatment to them.

**Responsibility:** it means that the Greater Amman Municipality administration recognizes the rights of all interested parties and the institution contained in laws and regulations, and also encourages mutual cooperation between those parties.

**Accountability:** the corporate governance system allows the accountability of the enterprise management in front of all the relevant parties of the institution, and provides guidance to the Board of Directors on how to put the organization's strategy and management control.

**Social awareness:** the awareness of the enterprise management of the responsibilities towards the community.

**Organizational efficiency:** the ability possessed by the organization to adapt by the openness of the organization

on the environment and interact with the community, and susceptibility to the scientific development; which is the degree of development of the sections of the qualitative development of staff qualifications, and career development: the development of new functions in line with the interaction with the community, and develop the efficiency of workers to work in these jobs, and job satisfaction; which is a degree of satisfaction achieved by the organization for the employees (Qurra, 2010).

### Corporate Governance

There is no doubt that the concept of corporate governance is one of the modern administrative terms, so there is no unified and agreed definition of corporate governance so far, but that there are many definitions of corporate governance, due to the overlap of the concept of governance with many organizational, economic and financial matters for the institutions. Recently it has been agreed on scientific translation of this term as "the practice of good governance powers style (Hassan, 2007), while Abdulwahab (2007) defined it "as to how to ensure that motivate performance using a mechanical stimuli ". Khalil (2007) also defined it as a public system through which the foundation may be able to win and manages the relationship between shareholders and management. Corporate governance is defined "a system through which the institution can direct and monitor and the structure of corporate governance is based on the distribution of rights and responsibilities among all participants in the organization, such as the board of Directors and shareholders, and governance is considered a group of rules and procedures for decision-making of the institution (OECD.2001).

We deduce from the above mentioned definitions and other definitions that are too numerous to mention that all of these definitions agree together that governance is a management process and practices of the management application in the enterprise, either internally or externally, this process is done according to the rules of accounting, financial and economic systems issued by the management of the that under the direction and control of the performance of work in the organization, and leading to improve business performance through a professional and moral obligation and reference adhered to by everyone.

### The reasons for the emergence of corporate governance:

Corporate governance did not arise randomly, but rather as a result of the need, the desire for the existence of a system based on openness and transparency, and governance by necessity became a demand basis for the presence of organizations and companies, especially after the increasing trend towards globalization and liberalization of financial markets, and the shift of many countries of the world to a market economy , which led to

the opening of new markets in order to achieve high profits and expansion activities in the field of business organizations to seize the investment opportunities, and achieve more profits (Mustafa,2006).

These factors have led to the exposure of companies in developing countries to severe competition, and a great deal of capital volatility, it needed a great deal of capital beyond the sources of local and traditional financing, and this is what led to the transformation of these companies into mere subsidiaries of multinational global companies, while others faced the risk of going out of the market, especially in light of the internationalization of the active capital markets and banks, and conducting mergers massive forced or voluntary, and the explosion of financial scandals that hit a lot of international companies in general, and America in particular (Hassan,2010). Accordingly, these scandals have formed an important title for the need for a set of ethical rules, and professional principles that meet the elements of trust and credibility, the data and information needed by the world of finance and investment.

With the explosion of the Asian financial crisis in 1997, the world has begun to look with a new vision to corporate governance, it was the crisis of confidence in the institutions and legislation that were regulating business organizations crisis, relations between these organizations and the government. Among the main problems that emerged during the crisis was the (operations and transactions of internal Parties) whether the board of Directors or managers or employees, and their preference for their personal interests at the expense of the interests of shareholders, creditors and other stakeholders, such as suppliers and customers.

And the subsequent series of recent events and the beginning of the Enron scandal, Enron Corporation discoveries rig companies in its financial statements; clearly it demonstrated the importance of corporate governance, even in countries that were routinely counted close to perfect financial markets. It has become clear to corporate management that corporate governance system largely determines the fate of companies and the fate of the economies of the countries in the current era is called the era of globalization; and the resulting actions such as: economic liberalization and internationalize it, the massive development of the means of communication, as well as shifts in the forms of corporate ownership while increasing the number of investors. All this has increased the need for the rules of corporate governance, which he can help businesses and the overall economy to attract investment and boost economic performance and increased competitiveness.

Moreover, the globalization of capital and ease of flow of the countries where financial abundance to the most lack the countries there have led to the need to move towards the protection of capital, as investors said they are not willing to bear the results of poor management, and financial and administrative corruption in business organizations that do not enjoy the existence of sound

governance structures. Starting from here the importance of corporate governance has increased; that follow sound principles of corporate governance leads to the creation of adequate protection against corruption and mismanagement while promoting transparency in economic life and to combat resistance to reform institutions (Mustafa, 2006).

Governance is a good and objective tool for the exercise of rationalization and rationality, and to maximize the confidence, and the development of safety factors, and activation of the employment of resources, increase quality, and at the same time is the realization of wisdom and sobriety. Behavior and managerial actions, and protect the business organizations of the elements of the administrative and financial corruption, it is evident from the foregoing that the application of the corporate governance system, has many advantages that can be for companies and even countries, whether developed or developing to reap its benefits (Maureen, 2004) it is represented in reducing the risks related to internal corruption in the companies, and work to get rid of it completely, and to ensure the fairness and integrity of all employees in companies ranging from the board of Directors and executives and the lowest end of the worker. In addition to reducing the degree of risk associated with financial scandals, and management to the lowest possible extent, where the use of this protective system prevents errors and helps to detect deviations and work to correct them and not allowed to continue.

And raise the performance levels of companies, and this is reflected positively on profitability and accelerated development in the society, and attracting local and foreign investments, thereby increasing growth rates and economic development, and increase business and employment opportunities in the community. And increase the ability of companies to global competition, and open new markets.

There is almost an agreement on the existence of two sets of internal and external determinants of corporate governance, and the outlook surface to these criteria may be understood as restrictions on corporate governance, but in reality they represent controls to ensure the effectiveness of the application of governance (Ibrahim, 2007). External determinants (Fawzy,2003): refers to the overall investment climate in the state, which includes, for example: the laws governing economic activity (such as money market and corporate laws, regulation of competition and prevent monopolistic practices and bankruptcy), and the laws governing the devices, and regulatory bodies, and efficiency in tightening controls on companies (such as Exchange Commission and the capital market), as well as laws governing the financial sector (banks and capital market) and efficiency in providing the necessary funding for business organizations. The importance of external determinants refers to that their presence ensures the implementation of laws and rules that guarantee good management of

the company; they reduce the discrepancy between the social return and the private return. and internal determinants refers to the rules and principles that determine how decisions are made, and the distribution of powers within the company between the General Assembly and the Board of Directors and executives, which leads availability of in one hand, and applied it on the other hand to reduce the conflict between the interests of these three parties.

Although these criteria, whether internal or external, are in turn influenced by a range of other factors associated with the culture of the state, where political and economic system, and the level of awareness and education among individuals, governance and lead ultimately to increased confidence in the national economy, and deepen the role of the capital market, and increase its ability to mobilize savings and raise investment rates, and preserving the rights of the minority or small investors. On the other hand, it encourages governance on private sector growth and supports its competitiveness, projects and assists in obtaining financing and generating profits, and finally create suitable for members of the community jobs.

### **Problems of corporate governance**

Most important corporate governance problems concentrated in a number of things including: Board of Directors: there should be a separation between the Governing Council and the important task of executive management responsibilities in the company's management, as well as the Board of Directors lineup and its level of control (Ali, 2008). In addition, work on combining the functions of chairman of the board and general manager of the company at the same time. And the members of the Board of Directors, the availability of an appropriate number of non-executive members of the board be able to evaluate the independent and assumptions views are derived from their sense of responsibility and experience and confidence to the company's business. the committees of the Council the importance of the audit and should have broad objectives relating to each of the company's internal control system, as well as its external auditor, as well as the work of the internal auditor . there must be a focus on not to link these rewards short-term accomplishment and must be determined by an independent commission.

### **Organizational Effectiveness**

Organizational efficiency is one of the fundamental aspects of the Organization and one of the basic tests to judge the success of the organization, so studies on organizational effectiveness gained great importance to theorists, practitioners and decision-makers in the field of management where a lot of decisions on the distribution of resources on programs and projects depends on the effectiveness of these programs and projects. While many of the descriptive studies on organizational effectiveness of general and non-specific results, and

often absolute in its Generalizations such as reaching the result which says that this program, project or organization is effective only so without clarifying the degree of effectiveness or allow room for a trade-off and testing. Jack Duncan (1978) defined organizational effectiveness as: "a broad meaning occurs when the organization accomplish its objectives," and Richard (1982) defined it as: "the organization's ability to use the resources available to achieve their goals." while Etzion stated that it is: "the organization's success in achieving the desired goals through optimal exploitation and balanced resources available to them in the external environment and must be effective demand cannot be achieved from its demand at the expense of the effectiveness of other demands," and Aljifri (2007) defined it as "degree of congruence between organizational objectives and the results obtained."

John & John (1992) stated that it is "the degree of success of the organization in achieving its goals while ensuring at the same time its continues through to satisfy suppliers and customers," while Drucker's definition was limited as: "the work of the right things and show susceptibility managers in the test objectives and the means to achieve them" then Rollinson et al (1998) stated that it is: "the use of the least possible cost to get the best output to achieve the goals," Finally Awnullah (1987) defined organizational effectiveness as: " the term expression of the organization's ability to build. "

After all, the researcher concludes that the organizational effectiveness is the Organization's ability to exploit existing resources and to deal with the internal and external environment, caution and wisdom to achieve the organization's goals.

The views of the writers as well as researchers were numerous in the factors affecting organizational effectiveness, but within a review of the researcher to these factors turned out to be the most obvious division comprehensive and detailed is what is introduced by Likert: he divided it in three variants, causing variants: form: leadership strategies, skills, management decisions, the philosophy of the organization , goals, organizational structure, policies, and finally technological factors. Such variables as the reason for the creation of intermediate variables which are as follows: Commitment goals, motivation and morale of the members of the organization, leadership skills, communication to resolve conflicts and problems, if any, and finally take decisions. The intermediate variables produce the so-called variables on the outputs namely that directly affect the organizational effectiveness which is: productivity, cost, leaving work, management relations, sales and finally gains. If the organization wants to increase organizational effectiveness it shall has variables causing care and not intermediate Example: that the organizational structure and characteristics of the organization are reflected on the motivation and therefore reflected primarily on outputs and by which they can judge the organizational effectiveness (Jain & Singh, 2007).

In a study entitled Corporate Governance and the policy of profit distribution compared with the Chinese companies listed in Hong Kong and the Mainland, and conducted by Zhang (2008) This study compares divided the cash profits of Chinese companies listed in Hong Kong and the Mainland market. The results of this study that in both groups companies with administrative high Organic in the Council (Higher Managerial Membership) tend to pay divided by low cash profits and stronger relationship is stronger in companies listed in the Mainland market companies, suggesting that managers influence on the Board of Directors creates the most dangerous agency problems.

In order to know the determinants of dividend policy Oscar (2007) conducted a study on corporate governance and dividend policy in Poland. It has sought to test whether the application of corporate governance affects the distribution of profits in non-financial companies listed on the Warsaw Stock Exchange policy. The study's conclusions that the most profitable companies pay a dividend higher profits, while most indebted companies and the most dangerous prefer payment divided by low profits.

While Mehar study (2007), which looked at the behavior of long-term returns in companies that are changing the divisor in Pakistan, and this study came out of the conclusions of the most important of the 23% of the profits may be distributed as dividend profits and the rest of the profits are used to finance additional investment and support the hypothesis results that the companies start paying the dividend after a certain level of growth, where the companies hold profits in the growth stage. And Rob Bauer et al (2008) held a study aimed to investigate the impact of governance on banks and laws to protect shareholders 'assessment as well as banks' instructions on the bank's assessment study used both the proportion of Tobin's Q and market value of the assets at book value to assess the bank's performance of a sample of 244 bank in 44 countries at a rate of 10 banks in each country, and it found that the legal protection of small shareholders associated with high assessment of the banks as well as in relation to a concentration of ownership, and the instructions relating to restrict bank activities, such as capital requirements, it did not have an impact on the Bank's evaluation.

Haniffa and Hudiab (2006) conducted a study aimed to investigate the structure of governance of the company and the performance of Malaysian companies listed on the stock market, where the study included a sample of 347 companies listed in the Malaysian capital market for the period between 1996 to 2000 and represented the most important findings of the study that board size and concentration of ownership was an effect is statistically significant in both indices performance (ROA, Tobin, s Q), where the size of the board of Directors has had a negative effect to Tobin, s Q the variable concentration of ownership, and he had a positive impact on the return on assets , .Richardson (2006) conducted a study aimed to

investigate the role of corporate governance in the development of performance and the study concluded a set of results the most important is the difficulty to measure the degree of corporate governance in the companies, as a result of the difficulty of creating a reliable and valid measures fully to the term corporate governance, and a relationship between the characteristics of the application of corporate governance and operational performance over the long term.

## DISCUSS THE RESULTS OF THE ANALYSIS

It is clear from the results of analysis of the first criterion of the corporate governance standards which is discipline management, which was measured by seven axes, where the arithmetic mean of this standard (0.581), which means that it has achieved the moderate level of respondents' approval, a reference to the existence of moderate discipline in the study sample. As shown from the results of analysis of the second criterion of transparency standard, which included ten axes, where the arithmetic mean of this standard (0.311), which means that it has achieved the sample's approval with a low degree and a sign that the study sample has a weak degree of transparency, and the standard of transparency indicates that the directors of departments of the study sample does not abide by disclosure and transparency imposed by law standards of the Greater Amman Municipality .

It appears from the results of the third criterion for measuring corporate governance, which is independent and which has been measured by eight axes, where the arithmetic mean for this criterion (0.612) and was performed with medium-approval, which means that the study sample circuits do not have a high autonomy, the lack of high autonomy can be attributed to the lack of an independent commission bonuses, chaired by an independent director, as well as a nomination Committee independent chaired by an independent director, because these committees that were not independent may affect the rewards of the individuals and it may go to the wrong people, as well as the appointments may have not been of the fittest and most worthy.

The standard of accountability has got a medium degree of reaching the arithmetic mean (0.639) and it has been measured through eight axes, according to the findings of the results of the fifth standard which is measured by six axes to a medium degree of reaching the arithmetic mean (0.552) and this is explained by the failure of the senior management at GAM to correct the behavior of individuals who make decisions in their favor at the expense of shareholders and hold accountability, which could be misused by the powers of the directors, and this is what weakens the administration's responsibility.

It appears from the results of analysis of the sixth standard to measure corporate governance, which is

represented by justice, and which was measured by nine axes, where the arithmetic mean for this standard (.612) with a moderately approval. And the results of analysis of the seventh standard of corporate governance standards, which represents social awareness, where this standard was measured through five axes, and the degree of approval of this standard is high, reaching the arithmetic mean (0.892) and this can be attributed to the fact that circuits of the study sample has an awareness of social responsibility toward a society that offers services to him, through the provision of services contribute to the awareness of environmental pollution, and lack of employment of individuals under the legal age, and sharing of some citizens of the Supreme Council of the GAM through an election, and non-discrimination between citizens by gender and religion.

### **Presentation and discussion of the results of Relations' test**

*Testing the first hypothesis:* which states: there is a relationship between the principles of discipline of Greater Amman Municipality and its organizational effectiveness.

It is clear from the table and that there is a strong positive correlation between the first criterion of corporate governance which is discipline and organizational effectiveness as the value of the correlation coefficient reached (0.688), which is statistically significant at the significance level ( $\alpha \geq 0.05$ ).

*Testing the second hypothesis:* which states: there is a relationship between the principles of independence of the Greater Amman Municipality and its organizational effectiveness.

It is clear from the table that there is a strong positive relationship between the second criterion (independence) of the Corporate Governance standards and organizational effectiveness, since the value of the correlation coefficient (0.672), which is statistically significant at the significance level ( $\alpha \geq 0.05$ ).

*Testing the third hypothesis:* which states: there is a relationship between the principle of justice at Greater Amman Municipality and its organizational effectiveness. As shown in the table there is a strong positive relationship between the third criterion (justice) of the Corporate Governance standards and organizational effectiveness, since the value of the correlation coefficient (0.692), which is statistically significant at the significance level ( $\alpha \geq 0.05$ ).

*Testing the fourth hypothesis:* which states: there is a relationship between the principle of social awareness of the Greater Amman Municipality and its organizational effectiveness.

As shown in the table there is a weak positive relationship between the fourth criterion (social

awareness) of the Corporate Governance standards and organizational effectiveness, since the value of the correlation coefficient (0.118) which is not statistically significant at the significance level ( $\alpha \geq 0.05$ ).

*Testing the fifth hypothesis:* which states: there is a relationship between the principle of transparency at Greater Amman Municipality and its organizational effectiveness.

It is clear from the table that there is a strong positive relationship between the fifth criterion (transparency) of the Corporate Governance standards and organizational effectiveness, since the value of the correlation coefficient (0.752), which is statistically significant at the significance level ( $\alpha \geq 0.05$ ).

*Testing the sixth hypothesis:* which states: there is a relationship between the principles of accountability at Greater Amman Municipality and its organizational effectiveness.

It is clear from the table that there is a strong positive relationship between the sixth standard (accountability) from the standards of corporate governance and organizational effectiveness, as the value of the correlation coefficient (0.644), which is statistically significant at the significance level ( $\alpha \geq 0.05$ ).

*Testing the seventh hypothesis:* which states: there is a relationship between the principle of responsibility at the Greater Amman Municipality and its organizational effectiveness.

It is clear from the table that there is a strong positive relationship between the seventh criterion (responsibility) of the Corporate Governance standards and organizational effectiveness, since the value of the correlation coefficient (0.702), which is statistically significant at the significance level ( $\alpha \geq 0.05$ ).

It can be seen through the test of relations between corporate governance and organizational effectiveness, which was mostly a strong positive correlation, the correlation coefficient values ranged between (0.672-0.759).

While the relationship between the standard of accountability and organizational effectiveness was medium positive correlation and that the value of the correlation coefficient relationship (0.644) and the relationship between the standard of social awareness and organizational effectiveness was a weak positive correlation, which reached (0.119) and corporate governance overall correlation coefficient variables and organizational effectiveness indicates the existence of a strong positive correlation and show a stronger relationship between transparency and organizational effectiveness.

*Testing the eighth hypothesis:* which states: the corporate governance affects the organizational effectiveness.



Regression analysis of the effect of corporate governance on organizational effectiveness

Independent variable	Impact order	The coefficient of determination	Calculated F	Beta factor	Calculated t	Sig
Discipline	4	0.474	7.199	0.688	2.683	0.028
Transparency	5	0.452	6.611	0.752	2.571	0.033
Independence	2	0.488	7.630	0.672	2.762	0.025
Accountability	6	0.417	5.714	0.644	2.390	0.044
responsibility	1	0.576	10.885	0.702	3.299	0.011
Justice	3	0.483	7.484	0.692	2.736	0.26
Social awareness	7	0.014	0.116	0.118	0.340	0.743
Corporate Governance	-	0.690	17.808	0.831	4.220	0.003

The results indicate the existence of the effect of the administration discipline on the organizational effectiveness were it reached the value of the coefficient of determination R2 (0.474) This means that the independent variable discipline of administration was able to explain 47% of the change in the organizational efficiency variable were the value of beta reached (0.688), which explains why that every increase in the discipline of department with one unit offset by an increase of organizational effectiveness with (0.688) units. It is clear from the value of R2 coefficient of determination, which amounted to (0.452) that the second variable in corporate governance represented with transparency is stronger than the effect of discipline impact on organizational effectiveness, and the value of that parameter explains that independent variable transparency was able to explain 45% of the change in the dependent variable the organizational effectiveness, beta value has reached (0.752) which is indication that every increase in the transparency of the administration offset by an increase in organizational effectiveness with (0.752) units.

The value of the coefficient of determination R2 of the autonomy variable, which reached (0.488) indicates that the effect of this variable in the Corporate Governance is analogous to the effect of discipline at this rate, that is the independent variable autonomy was able to explain 48% of the change in the dependent variable organizational effectiveness, and the value of beta reached (0.672) which is indication that every increase in the transparency of the administration offset by an increase in organizational effectiveness with (0.672) units.

Through testing the impact of accountability on organizational effectiveness, we find that the value of coefficient of determination R2 reached (0.417), which is showing the impact of accountability in organizational effectiveness less than the impact of previous changes to the governorship, and explain the value of the coefficient of determination developments that the independent variable accountability was able to explain 41% of the pace of change in organizational effectiveness, and the

value of beta indicates that the amount of change in the organizational effectiveness reached (0.644).

The decline and a stronger effect of responsibility from the impact of the rest of the variables of Governance in organizational effectiveness test results, which is statistically significant at the significance level (0.05) were the value of R2 coefficient of determination has reached (0.576) which means that the independent variable of responsibility could be interpreted in the amount of 57% of the changes in the organizational effectiveness, and beta value indicates the amount of change in the dependent variable has reached (0.702).

The results also show that the variable justice on organizational effectiveness statistically significant at the significance level (0.05), which is analogous to the independence, the value of the R2 coefficient of determination reached (0.483) This means that the independent variable justice was able to explain 48% of the change in organizational effectiveness, and (t) test points to a moral regression to test the impact of previous changes to the governance of the institution in the organizational effectiveness at the significance level (0.05), where the values calculated ranged from (2.390) and (3.299) at the same level of significance and the degree of freedom (8) is the largest of Tabulated value which amounted to (2.306) at the same degree of freedom (8) and the significance level (0.05). While F test refers to the moral influence of these variables in organizational effectiveness, the calculated values ranged from (5.714) and (10.885), which is larger than the tabular value, which reached (5.32) when the level of significance (0.05) and degrees of freedom (8.1) .

## CONCLUSION

- The concept of corporate governance is still debatable and controversy where there is no agreement to determine a unified concept of the term among all interested academics and economists yet.
- The adoption of Greater Amman Municipality and many developed and developing countries when issuing

the principles of corporate governance of the principles issued by the Organization for Economic Co-operation and Development, and this leads to an important conclusion that the principles of corporate governance are universal principles.

- One of the causes of the financial crisis is the weakness of corporate governance in countries characterized by weak regulations, as studies have shown.

- Greater Amman Municipality has received the level of good governance, which is a positive indication of the importance of corporate governance.

- There is a commitment standard of transparency and this is indicated by the results of the study of the GAM of the issuance of the annual report and the information it contained.

## RECOMMENDATIONS

- The need to elevate the Greater Amman Municipality at the level it has reached from the application of corporate governance standards and work to upgrade them to the highest levels.

- Conducting studies and research involving all departments and sections in the Greater Amman Municipality.

- Holding seminars and lectures for managers and heads of departments and employees on the subject of corporate governance due to its impact on organizational effectiveness.

## REFERENCES

- Ali O (2008). "The impact of intellectual capital and internal audit on corporate governance in the Jordanian industrial companies," unpublished doctoral dissertation, Amman Arab University for Graduate Studies, Amman – Jordan
- Aljifri Kh and Mustafa M (2007). "The Impact of corporate governance Mechanisms on the performance of UAE Firms: An Empirical Analysis " Journal of Economic & Administration Science, Vol. 23. No. 2
- Asian Development bank institute, (2004) Corporate governance in Asia : recent Evidence from Indonesia Korea ,Malaysia ,and Thailand : ADBA , 2004 .
- Awnullah S (1987). "entrances and the problems of measuring organizational effectiveness," Journal of Public Administration, N. 54
- Ayub M (2007). "Corporate governance and dividend policy", Munich Personal Repec .Archive, 2007
- Charles P (2001). "Corporate Governance and National Development," OECD, Development Centre, Technical Papers, No. 180, p. 34.

- Copria G (2007). "governance and bank valuation" journal of financial intermediation, Vol.16, pp 584-617
- Duncan J (1978). Organizational Behavior, Houghton Mifflin Company, USA, P. 348.
- Fawzy S (2003). Assessment of Corporate Governance in Egypt, Working Paper No.82.Egypt.The Egyptian Center for Economic Studies.
- Haniffa R and Hudaib M (2006). "Corporate Governance structure and performance of Malaysian Listed Companies", Journal of Business Finance and Accounting, 33 (7-8), PP. 1034-1062
- Hassan S (2010). "governance and its impact on improving the level of performance of the business organizations" unpublished PhD Thesis, University of Tishreen, Syria
- Ibrahim Kh (2007). "The role of corporate governance in achieving the quality of accounting information and its impact on the stock market," Journal of Business Studies and Research, University of Zagazig, Banha, vol. 28, No. 246, p. 212
- Jain J and Singh J (2007). Modern Organizational Development and Change Principles and Practices, Regal, India, P. 96
- John A and John R (1992). Management of Organizational Behavior, Prentice- Hall Inc., P. 593.
- Manzouh Z (2009). "corporate governance and its impact on dividend policy" Unpublished MA Thesis, Al al-Bayt University, Mafraq, Jordan
- Maureen N (2004). Corporate Governance and client investing, Journal of Accounting, Vol. 33, pp. 351-380
- Mustafa S (2006). "corporate governance and address the financial and administrative corruption" Comparative Study, University House, Alexandria
- Nasr A and Shehata Sh (2007). "the audit and corporate governance in the Arab and international contemporary business environment", University House, Alexandria
- Oskar K (2007). "Corporate governance and dividend policy in Poland", German institute for Economic research
- Qurra Kh (2010). "The impact of governance of banks in the banking performance," An Empirical Study on Jordanian commercial banks, unpublished Master Thesis, University of the House, Mafraq
- Richard M (1982). Introduction to Organizational Behavior, Foresm and Company, USA
- Richardson S (2006). "Corporate Governance and firm Performance" University of Pennsylvania
- Rob Bauer et al, (2005) " The emerging market for European corporate governance: the relationship between governance and capital expenditure, Journal of Economic Geography
- Rollinson et al (1998) Organizational Behavior and Analysis An Integrated Approach, First edition, Wesley Longman, UK, P. 493.
- Yousef M (2007). "the determinants of governance and standards with particular reference to the pattern applied in Egypt," Journal of the National Investment Bank, Cairo
- Zhang H (2008). "Corporate governance and dividend policy: A comparison of Chinese firms listed in Hong Kong and the mainland", China Economic Review, pp. xxx. Xxx