

The Characteristics of Governance at Large Food Manufacturing Establishments in the Gaza Strip

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Abstract

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The purpose of this research was to study the aspects of the governance at large food manufacturing establishments in the Gaza Strip. The study was considered seven dimensions which include, 1) board membership, 2) management of board affairs, 3) policies and procedures, 4) performance measurement, 5) aspects of board meetings, 6) financial management and control and 7) relationship with the general director. The study population was incorporated all Gaza's large food manufacturing establishments which employ 20 persons or more. The number of these companies was 20 establishments. The research was used a stratified random sample. The sample size was 100 persons. The sample was selected from board members, owners\investors and general directors. A questionnaire was used as a main tool for data collection.

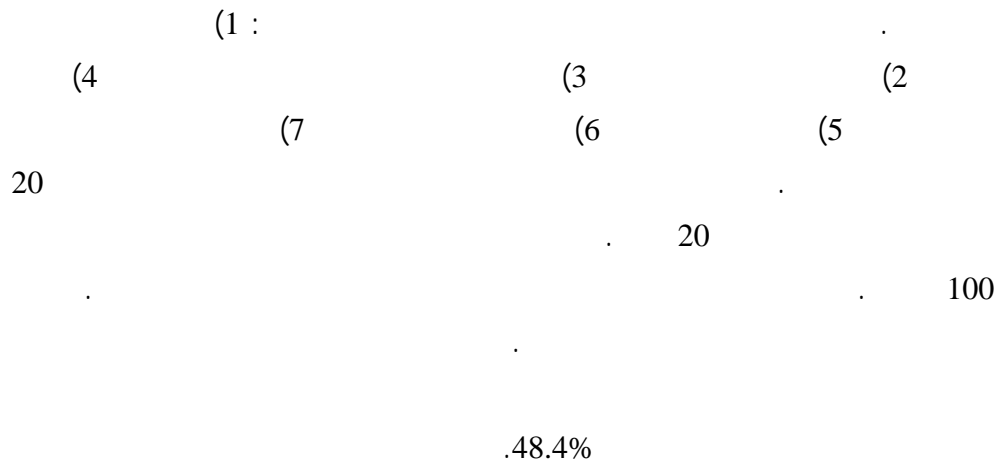
The main conclusion of the study was that the governance of large food manufacturing establishments in the Gaza Strip was poor (48.4%). The first five dimensions were poor. However, the aspects of financial management and control and the relationship with the general directors were acceptable but it needs further improvement.

Food manufacturing establishments need to give extra attention to their governance. The attention should be given to the overall dimensions of the governance including the development of policies and procedures, developing and balancing the relationship among business main stakeholders and financial management and control.

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خصائص الحوكمة لدى شركات صناعة الأغذية الكبرى في قطاع غزة



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1- Introduction:

Corporate governance has come to the forefront of academic, regulatory, and investor debate. Key in this debate is the role that corporate governance plays in the generation of economic returns to its owners and stakeholders (Soobaroyen and Sheik-Ellahi, 2008). Part of generating economic returns includes the ability to adapt to and confront periods of financial distress. Corporate governance may be referred to the relationship among the board of directors, top management, and the investors\owners of establishments in determining the direction and performance of organization (Wheelen and Hunger, 2006). Corporate governance is the process whereby organizations make important decisions; determine whom they involve and whom they cause to be accountable. In addition, taking decisions and rendering of accountant- typically relies on the governance system, policies or framework. Corporations' bylaws should clearly state the roles and responsibilities of governance bodies (Petra, Steven et. Al, 2008). The corporate governance with its different parties (board of directors, top management and investors) should play a complementary role in identifying the establishment direction, mission, objectives, strategies and policies (Wheelen and Hunger, 2006).

According to the Palestinian Central Bureau of Statistics (2005), Palestinian food industrial sector was considered one of the most important manufacturing sectors in the Palestinian industry. The number of food manufacturing establishments in the West Bank and the Gaza Strip was accounted for (2321) establishments in year 2004, which represented (16.7%) of the total Palestinian manufacturing establishments. The sector was employed (10525) workers in 2004, which represented (17.3%) of the Palestinian workforce who were employed in the Palestinian manufacturing sector. The total manufacturing establishments in the Gaza Strip was accounted for (520) firms in 2004. This number reflects the significance to study and tackle this sector from various dimensions including governance dimension.

2- Study Problem:

This study examines the aspects of corporate governance in terms of its structure and role in the management and development of Gaza's large food manufacturing establishments from the viewpoints of selected stakeholders. The research question will be as follows:

What are the characteristics and roles of the governance in the Gaza's large food manufacturing establishments?

3- Study objectives:

1. Evaluate the characteristics of the governance in Gaza's large food manufacturing establishments.
2. Discuss the effect of the organizational characteristics on aspects of the corporate governance.
3. Propose some recommendations that may help manufacturing establishments to promote their managerial practices and performance.

4- Hypotheses:

1. There is a relative significant difference at level ($\alpha = 0.05$) in the impact of the components of the governance on the management performance of food manufacturing establishments in the Gaza Strip.
2. There is a significant correlation at level ($\alpha = 0.05$) between the characteristics of the governance at large food manufacturing establishments and its components (board membership, management of board affairs, policies and procedures, performance measurement, aspects of board meetings, financial management and control and relationship with general director).
3. There is a significant statistical difference at level ($\alpha = 0.05$) in the characteristics of the governance at large food manufacturing establishments attributed to the experience of the interviewees and size of establishments.

5- Study Variables:

Dependent variable: The characteristics of corporate governance.

The independent variables:

1. Board of directors membership
2. Management of board affairs
3. Policies and procedures
4. Performance measurement
5. Aspects of board meetings.
6. Financial management and control
7. Relationship between the general director and board of directors.

6- Methodology

6.1- Research Methods

This research employs descriptive and analytical methods involving both qualitative and quantitative approaches. The fieldwork was based on distributing a questionnaire. Both primary and secondary data sources were used. The data collection was done in the following manner:

- 1) Questionnaire specifically designed for this research. The close-ended questions was used because, it is easy to answer, compare and analyze.

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- 2) Academic work on the subject such as books, articles, reports and other library-housed materials were collected through library research and through the internet. Overall, this study relied on a variety of sources and used a selective method in gathering the relevant information from each source in order to benefit fully from all available sources.

6.2- Research Population

The study population includes all Gaza's large food manufacturing establishments which employ 20 persons or more. The overall food manufacturing establishments accounted for 520 firms in 2004 (see Table (1) below). Table (1) revealed that 72.3% of food manufacturing establishments employ 4 persons or less. While 18.6% employ 5-9 persons. Only 3.9% employ 20 persons or more. These characteristics revealed that Gaza's food manufacturing establishments were dominated by small establishments. The very small establishments were not considered because; size of establishment usually influences the management characteristics and performance. Small size establishments lean to personal relations, informal structure and informal planning and control.

Table (1) Classification of food manufacturing establishments in the Gaza Strip by number of employees at year 2004.

District	Classification of establishments by employment size						TOTAL
	0-4	5-9	10-19	20-49	50-99	100+	
North Gaza Governorate	58	15	4	2	0	0	79
Gaza Governorate	172	45	17	9	1	0	244
Dier Al-Balah Governorate	47	21	5	4	0	1	78
Khanyounis Governorate	72	15	1	2	0	0	90
Rafah Governorate	27	1	0	1	0	0	29
Total	376	97	27	18	1	1	520
%	72.3	18.6	5.2	3.5	0.2	0.2	100%

Source: Palestinian Central Bureau of Statistics (2005) - General Census Of Establishments (2004) - Economic Core Results, Ram Allah, Palestine.

6.3- Sample size:

The research used a stratified random sample. The sample was selected from board members, owners\investors and general directors. It was difficult to reach a significant number of the investors because they are unanimous. All large food manufacturing companies were private limited. The founders of the business are the managers. They rely on their personal relations in attracting investors. Those investors usually inactive in managing the companies. The researcher noticed that none of the establishments recruit general directors of the companies from outside the owners or their close relatives. The sample size was 100 persons. The

questionnaire was distributed and collected in May 2007. The researcher considered all owners/general directors to answer the questionnaire. This was done because they have comprehensive information about the company (see Table 2). The researcher received 100 questionnaires. All of the questionnaires were entered the process of analysis. The response rate was 100%, because personal field visits were used to distribute and collect the questionnaire.

Table (2) Manufacturing distribution by population and sample size

Population and sample	Number of board members	Number of owners\investors	Number of owners\general directors	Number of general directors	Total
Population	100	140	20	-	160
Sample	50	30	20	-	100

Source: The population size were estimated based on data available in Table (1) and phone calls conducted with most of food manufacturing establishments with size of employment 20 persons or more.

6.4- Information about large food manufacturing establishments in the Gaza Strip

6.4.1 Age of large food manufacturing establishments in Gaza Strip

Table (3) shows that all research sample were manufacturing establishments with age more than 7 years. This reflects that large establishments were developed and with large size because they gained more experience and managed to survive despite the harsh circumstances.

Table (3) Research Sample by Age

Age of Food manufacturing establishments	Frequency	Percent
Less than 3 years	0	0
3 –7years	0	0
Greater than 7 years	100	100
Total	100	100

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6.4.2 Size of Establishments

Table (4) shows that the great majority (90%) of research sample employ 20 to 49 persons. Only 10% employ 50 persons or more. These results were expected since all companies which employ less than 20 persons were excluded. Table (1) shows the different sizes of food manufacturing establishments in the Gaza Strip.

Table (4) Size of Establishments

Firm's size	Frequency	Percent
20-49 employees	18	90
50 employees or more	2	10
Total	20	100

6.4.3 Legal form of the Establishments

Table (5) indicated that research sample consists of private limited corporations and none of them was public corporation. This result was logic since the sample was included the large size only (20 employees or more). However, most of Gaza's establishments were small in nature. Probably because they rely on personal resources which were limited compared with public limited corporations which can raise more fund by issuing new stocks or borrowing from banks (El-Farra, 2006).

Table (5) Legal form of the Firm

Legal form of the Firm	Frequency	Percent
Sole Proprietorship	0	0
Partnership	0	0
Private Limited establishment	100	100
Total	100	100

7- Content Validity of the Questionnaire

Content validity examines the extent to which the method of measurement includes all the major elements relevant to the construct being measured. Two methods were used to achieve this type of validity:

7.1 The Experts Validation:

The questionnaire was evaluated by six experts in the field. As a result; six questions were modified but no questions were added or deleted.

7.2 Pilot Study

Pilot study was conducted to assess reliability of the questionnaire. Thirty persons were chosen randomly from the study population and were asked to fill the questionnaire. Those questionnaires were not included in

the research sample. These questionnaires were used for assessing the validity and reliability of the questionnaire.

7.3 Correlation Measurements:

Spearman correlation technique was used to confirm questionnaire's validity. The r value was 0.880 and sig. was 0.00.

7.4 Reliability of the Questionnaire

Two methods were used for reliability assessment which employed the Split-Half Coefficient and the Cronbach's Alpha Methods. Split-Half Coefficient was 0.891 and Cronbach's Alpha was 0.911.

The questionnaire was developed in the final format and distributed. This was done after taking in consideration all the limitations found.

8- Data Entry and Statistical Analysis

The questionnaire was analyzed using the Statistical Package for Social Science (SPSS). The following statistical methods and tests were used:

1. Percentages, frequencies, means and proportional weighted means.
2. Spearman Coefficient to check the correlations between the degrees of every dimensions of the corporate governance and the total degree of the entire corporate governor.
3. Kolmogorov-Smirnov test was calculated to define the type of data distribution. The test reveals that the data was Nonparametric.
4. Sign test to discover the difference in the level of importance of the dimensions of corporate governance to the total corporate governance value.
5. Mann-Whitney U test to check differences in the aspects of corporate governance attributed to establishment size and experience of interviewees.

9- Research Importance:

To the researcher knowledge governance of the manufacturing establishments in Palestine has never been examined, partly because of lack of information and partly because of lack of fund and interested researchers in the field of governance. This is the first detailed study devoted specifically to the corporate governance in the Gaza Strip with particular application to food manufacturing sector. The study would contribute to the development of the corporate governance's performance in the private sector in the Gaza Strip. Further this research will help in filling the "literature gap" in the corporate governance research, particularly those within the field of manufacturing sector. The study will also help in

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providing better understanding of the managerial practices of the manufacturing establishments in the Gaza Strip.

10- Theoretical Framework:

10.1- Background of the industrial sector in Palestine

The evolution of the Palestinian manufacturing sector was obvious from the growing rate of its contribution to the Palestinian Gross Domestic Product (GDP). The manufacturing sector contribution to the GDP increased from (8%) during the Israeli occupation (1967-1994) to (16%) prior to the outbreak of the *Al-Aqsa Intifada* in September 2000 (Nofal, 2003). However, this rate was fallen to (14.6%) in 2003. This was attributed to Israeli measures including closures and the Israeli military siege on the Palestinian areas. In addition, Palestinian manufacturing sector suffers from high dependency on the Israeli economy. (Palestinian Central Bureau of Statistics, 2004).

Food manufacturing is a crucial sector within the Palestinian economy. It is regarded as one of the important parts of the manufacturing sector. The number of food manufacturing establishments represented (17.6%) of the total Palestinian manufacturing establishments in 2004 (Palestinian Central Bureau of Statistics, 2005). Food manufacturing sector is considered a strategic sector. It impacts on the health and safety of the Palestinian consumer. Further, Palestinian family spends approximately (40%) of their income on food and beverages (Palestinian Central Bureau of Statistics, 2004).

According to the data of the Palestinian Central Bureau of Statistics (2005) the number of Gaza's food manufacturing establishments which produce food and beverages in the Gaza governorates were (520) establishments in 2004. While the number of institutions in the entire manufacturing sector in the Gaza Strip was (4083) establishments. This means that the food and drink industries represented in terms of the number of institutions (12.7%) of the volume of industry in the Gaza Strip in 2004. Food industries represent in terms of the number of workers (16%) of the total manpower in the industrial sector of Palestine in 1998. The share of workers increased in 2004 to (17.3%) (Palestinian Central Bureau of Statistics, 2005).

Moreover, food and beverages industry contributed about (23%) of the total production volume in the manufacturing industries in Palestine. This rate reflects the importance of the food sector in Palestine in job creation and filling a large proportion of the Palestinian consumer needs. Also, the increasing importance of food manufacturing industries was linked

very much with other economic activities, especially the agricultural sector. Food industries contributed to stimulation of agriculture. Food manufacturing sector increased the value-added of agriculture and diversification of agricultural crops. The growth of food industries through manufacturing food plays a role in raising the income of farmers and the development of rural areas (Naser, 2005)

10.2- Previous studies

Sahmiyah (2005) examined the development of sustainability criteria for Palestinian local NGOs. The study considered many criteria including, vision, mission, objectives, human resources and governance. The study concluded that governance was the second highest rank within the eight sustainability criteria of the Gaza's establishments with a relative weight of 82.7%. The first highest rank was Vision, mission and objectives with 85%. Abdul Latif (2002) argued that forming a board of directors or trustees at Palestinian establishments with clear authorities and responsibilities such as reviewing the general policies of the organization, its programs, its budget and its connections with the outside world is a key element of good governance on the organizational level and the internal and external relations. Gill, Flynn, and Reissing (2005) concluded that board members of Canadian establishments were highly satisfied with board culture, community representation, and financial stewardship. Friedman and Phillips (2004) examined three specific issues of governance: size of councils, their composition in relation to electoral process, and the development of inner councils or executive boards, within councils. Vinten (2002) in his study on the failure of Enron corporation proposed that board members should be properly inducted, trained and developed. In addition, the pros and cons of different types of corporate governance need to be explored and best practice disseminated. Parker, Peters and Turetsky (2002) concluded that corporate survival largely depends on discipline placed on managers. Discipline can come from the marketplace or it can come from inside the firm through corporate governance structures. The study said relative to distressed firms that corporate governance aspects influence the likelihood of firm survival. Soobaroyen and Sheik-Ellahi (2008) explored the influence of corporate governance on non-board business unit managers in relation to its perceived effects on managerial/organizational outcomes. The study concluded that managers who perceived the corporate governance adoption will have a positive impact on their performance via its effect on enhancing the credibility of the unit and the organization. Peters (2004) investigated in a UK survey, how the corporate governance "message" is cascaded through the rank and file. The study found that the respondents were critical of the

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managerial behaviors they observed in the organization, involving attempts at avoiding accountability for unsatisfactory performance and the absence of transparency within the organization. Shipley and Kovacs (2008) investigated the development of a set of good governance principles applicable to the oversight and operation of cultural heritage institutions. The study came up with a set of good governance criteria and principles including legitimacy and voice, direction, performance, accountability, and fairness. Petra, Steven et. al (2008) found that the presence of CEO duality reduces the likelihood of lower levels of performance-based incentives offered to CEOs. Additionally, the authors found that CEOs are more likely to receive lower levels of performance-based incentives when the majority of the compensation committee members serve on less than three other boards, and when the size of the board is less than or equal to nine members.

11- Hypotheses Testing

There is a relative significant difference at level ($\alpha = 0.05$) in the impact of the components of the corporate governance on the management performance of food manufacturing establishments in the Gaza Strip.

a. Board of directors membership

Table (6) illustrated weak aspects of the board of directors' membership at large food manufacturing establishments in the Gaza Strip. The total mean value of the field was 4.36, the proportional weight mean was 43.6% and sig. value was 0.00. Table (6) revealed that, the board of directors did not determine the required skills needed for its members, the board members were not diversified in their skills, they were not elected on a regular basis and their was no limit on terms that board members may stay in their positions. Establishments in the Gaza Strip were dominated by family businesses. Members of the board of directors are usually from family members or owners. Therefore, it was not necessary to be elected from qualified and skilled members (El-Farra, 2005). These aspects were very similar to the situation in the Arab world. Abed Elmajeed (2002) mentioned similarity in management characteristics among businesses in the Arab world. However, Table (6) revealed that the establishments had written documents which specify the number of the board of directors, where mean value was 8.1 sig. values was 0.00. This is because the Palestinian companies' law imposes on companies to identify the number of their boards in the establishment documents. Petra, Steven et. al (2008) found that the presence of CEO duality reduces the likelihood of lower levels of performance-based incentives offered to CEOs. Experts in

corporate governance advice businesses to add more outsiders (people are not affiliated with the corporation) to the board of directors. This would improve the transparency of businesses, increase level of creativity and advance relationships with other businesses (Wheelen and Hunger, 2006).

Table (6) Aspects of Board of Directors Membership by using sign test

Number	Item	Mean	Proportional weight mean	P-value
1	The board determine the required skills for its members	3.0	30	0.00
2	The required skills are written and documented	3.2	32	0.00
3	The existing board has the required skills	6.9	69	0.00
4	The existing board is characterized by the variety of skills and specialization among its members	4.3	43	0.00
5	The establishment has a written document that specifies the number of the board members	8.1	81	0.00
6	The board is elected periodically as indicated in the internal bi-lows of the establishment	3.0	30	0.00
7	The board membership has a term limit of two turns then the board member become a general assembly member	2.0	20	0.00
	Total	4.36	43.6	0.00

b. Management of Board Affairs

Table (7) showed poor management of the board affair. The total mean score was 3.4, proportional weight mean was 34% and sig. value was 0.00. It was obvious from Table (7) that most establishments did not have manual that determine the roles and responsibilities of the board members, no clear plan for board meeting and job description was not there. In fact most of board members were inactive in setting business strategies and direction. Most companies in the Gaza Strip rely on few actors of the board members. In addition, the founders of businesses were acted as godfathers for business members. This is a typical management culture in the Arab world. The traditional family structure and social relations in Arab societies, contributed towards shaping the managerial behavior in Arab organizations. Sharabi (1988) in his book argued that the 'neopatriarchy' structure prevails

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in Arab society and reflects a traditional type of social structure. According to Sharabi (1988) Arab individuals belong to family, clan and religious sect. While the family, which represents a model of this social structure, is characterized by the dominance of the father, the subordination of younger to older, and females to males. Authority, domination and dependency are the basic internal relations of the patriarch structure of the family. The tradition type of Arab social structure may contribute among others in explaining the Arab managerial practices.

Table (7) Aspects of Management of Board Affairs by using sign test

Number	item	Mean	Proportional weight mean	P-value
1.	The establishment has a board manual that determine the roles and responsibility of the board members, the general policies of the establishment, the internal bi-lows, etc.	4.1	41	0.00
2.	Each board member has a copy of this manual	2.0	20	0.00
3.	The board members understand their legal responsibilities	5.0	50	0.00
4.	The establishment has a written system for the appointment and removal of the chairperson	4.3	43	0.00
5.	The establishment has a written and clear job description	5.4	54	0.00
6.	The board meetings are held based on a clear plan	3.4	34	0.00
7.	There is a clear and written procedure for dealing with board members who consistently fail to attend meetings without good and convincing causes	2.1	21	0.00
8.	The board keeps and documents formal minutes of meeting that states the decisions that had been taken	3.4	34	0.00
	Total	3.7	37	0.00

c. Policies and Procedures

Table (8) reflected weak policies and procedures at Gaza's large food manufacturing establishments. The total mean was 4, proportional weight

mean was 40% and sig. value was 0.00. The great majority of businesses did not have a written mission or clear objectives. They did not have written policies, procedures, written code of conduct and code of ethics. The board members were not active in strategic planning for business development. El-Farra (2003) study manifested that managerial practices at Gaza's plastic manufacturing establishments were dominated with tactical practices and no concern was given to strategic dimensions. Palestinian establishments in Gaza are dominated with Entrepreneurship_management style. Board of directors was uninvolved in strategic design and general directors were dominating management process. The board is willing to be used as a rubber stamp for top management's decisions. In addition, general director operates alone or some times with a team (Wheelen and Hunger, 2006; El-Farra, 2003).

Table (8) Aspects of Policies and procedures by using sign test

number	item	mean	proportional weight mean	p-value
1.	The establishment has a written mission statement	5.4	54	0.00
2.	The board plays an active role in the strategic planning process for the establishment	4.5	45	0.00
3.	The establishment has a code of ethics and code of conduct	3.0	30	0.00
4.	The establishment has a conflict of interest policy	3.4	34	0.00
5.	The policies and the procedures of the establishments are written	3.2	32	0.00
6.	The organizational policies and procedures are available to staff and others with an interest in the organization	4.3	43	0.00
7.	The board has clear procedure for ensuring that the policies and the procedures of the establishment are being implemented	4.0	40	0.00
	Total	4.0	40	0.00

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d. Performance measurement

Table (9) disclosed that the board of directors did not practice its rule in measuring the performance of establishments in order to evaluate and control them. This is a very important rule that the board should play to enhance transparency at establishments. The total mean value was 4.3, proportional weight mean was 43% and sig. value was 0.00. It was clear from Table (9) that the board did not participate or reviews the annual plan of business. They did not measure the performance of business base on goals achievement. This result was reflected poor rule the board of directors' play in the life of establishments in the Gaza Strip. In order to have a comprehensive monitoring and controlling system, organizations should have written objectives, structure, job descriptions, indicators for performance, qualified controlling team and suitable diversified controlling tools. Almost these requirements were not available at organizations in the Gaza Strip. This limitation was not only at private sector, public sector but also at a significant number of Palestinian NGOs (Kulab, 2004; Shaheen, 2007).

Table (9) Aspects of performance measurement by using sign test

number	item	mean	proportional weight mean	p-value
1.	The board ensure that the establishment measures its performance based on the determined objectives	5.3	53	0.00
2.	The board and establishment director review the determined objectives annually	5.5	55	0.00
3.	The establishment director discusses the results of the performance measurement with the staff	5.2	52	0.00
4.	The board discuss with the staff the establishment performance periodically	4.3	43	0.00
5.	The board measure its performance annually	3.2	32	0.00
6.	The board put an annual plan for its development	3.5	35	0.00
7.	The plan is implemented	3.0	30	0.00
	Total	4.3	43	0.00

e. Aspects of board meetings

Table (10) showed low regular meeting by the board. In addition, the board do not have prepared annual plan for meetings. Further more, the board meetings were not effective. Overall, the total mean value was 4.84, proportional weight mean was 48.4% and sig. value was 0.00. It is necessary to energize the board rule in the management of the establishments in the Gaza Strip. This would enhance the institutionalization among businesses in Gaza, which would reduce the high death rate among businesses and increase the life span of businesses (Ashour and El-Farra, 2002).

Table (10) Aspects of board meetings by using sign test

number	item	mean	proportional weight mean	p-value
1.	The board meets periodically	3.2	32	0.00
2.	The number of meetings is suitable to the establishment needs	6.7	67	0.00
3.	The board agrees on annual plan for meetings	4.3	43	0.00
4.	The board meetings are organized and effective	5.5	55	0.00
5.	The decisions are taken through discussion and consensus	4.5	45	0.00
	Total	4.84	48.4	0.00

f. Financial management and control

Table (11) was revealed an acceptable financial management and control practiced by the board of directors in the Gaza Strip but it needs further development. The board was continuously received quarterly or semi-annual financial reports. It was ensured that the balance sheet and profit and loss account are prepared by the end of every financial year. In addition, the establishments were used external financial auditors. Further, the chairperson was met with the external auditor at least once a year. Moreover, the board was discussed the external auditor report. The overall mean score was 6.48, proportional weight mean was 64.8% and sig. value was 0.00. However, board members had low skills and experience to

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analyze and interpret financial reports, budgets and accounts. In addition, the board did not bother to ensure written procurement procedures for establishments. Overall the aspects of the financial management and control were much better than the other dimensions of the corporate governance. This because finance was the most crucial issue from investors viewpoints, where board members in Gaza are usually owners. In addition, their management skills to follow monitor and participate in setting business strategies were poor (see Table 8 and 9).

Table (11) Aspects of financial management and control by using sign test

number	item	mean	proportional weight mean	p-value
1.	The board members have skills and experience to be able to analyze and interpret financial reports, budget and accounts	3.9	39	0.00
2.	The board ensures that the financial system that is used by the establishment is effective	5.5	55	0.00
3.	The board continuously receive quarterly or semi-annually financial reports	7.7	77	0.00
4.	The board makes regular comparisons between budgeted income / expenditure and actual income / expenditure	3.2	32	0.00
5.	The board receives regular written reports highlighting any exceptional items in the financial statements	3.5	35	0.00
6.	Balance sheet and profit and loss account and are prepared by the end of the financial year	9.9	99	0.00
7.	The board ensures that there are written and documented procurement procedures for the establishment	5.3	53	0.00
8.	The board ensures that procurement are carried out based on the procurement	5.0	50	0.00

number	item	mean	proportional weight mean	p-value
	procedure of the establishment			
9.	The establishment has external financial auditor	8.8	88	0.00
10.	The chairperson meets with the external auditor at least once a year	9.5	95	0.00
11.	The board discusses the external auditor report	9.0	90	0.00
	Total	6.48	64.8	0.00

g. Relationship between the general director and the board of directors

The relationship between the board of directors and general directors were acceptable but it needs further development. Table (12) indicated that the board did not intervene in the daily management of the establishment. The general director was participated in the board meetings. The relationship between the board of directors and the general director was characterized by understanding and cooperation. The overall mean value was 6.2, proportional weight mean was 62% and sig. value was 0.00. However, Gaza's establishments did not have written job descriptions for their general directors. In addition, general directors did not provide regular reports to the board. Moreover, the board did not follow or monitor the performance of the general director.

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Table (12) Aspects of Relationship with the general director by using sign test

numbers	item	mean	proportional weight mean	p-value
1.	There is a clear written job description for the general manager	5.3	53	0.00
2.	The board does not intervene in the daily management of the establishment	7.0	70	0.00
3.	The general director participates in the board meetings	9.0	90	0.00
4.	The general director submits periodic reports for the board	4.5	45	0.00
5.	The relationship between the board the general director is characterized by understanding and cooperation	7.0	70	0.00
6.	The board follows and monitors the performance of the general directors	4.5	45	0.00
	Total	6.2	62	0.00

h. Total corporate governance at the research sample

Table (13) discloses that the aspects of the governance at Gaza's large food manufacturing establishments were poor. The total mean value was 4.48, the proportional weight mean was 44.8% and sig. value was 0.00. The lowest performance were in the management of board affairs, policies and procedures, performance measurement, board of directors membership and the aspects of board meetings respectively. The study did not agree with Sahmiyah (2005). Sahmiyah examined the development of Sustainability criteria for Palestinian local NGOs. He considered many criteria including, vision, mission and objectives, human resources and governance. The study concluded that governance was the second highest rank within the eight sustainability criteria of the Gaza's establishments with a relative weight of 82.7%. Abdul Latif (2002) argued that forming a board of directors or trustees at Palestinian establishments with clear authorities and responsibilities such as reviewing the general policies of the organization, its programs, its budget and its connections with the outside world is a key

element of good governance on the organizational level and the internal and external relations. Gill, Flynn, and Reissing (2005) concluded that board members of Canadian establishments were highly satisfied with board culture, community representation, and financial stewardship. Vinten (2002) in his study on the failure of Enron Corporation proposed that board members should be properly chosen, trained and developed. In addition, he stated that the pros and cons of different types of corporate governance need to be explored and best practice disseminated. Parker, Peters and Turetsky (2002) concluded that corporate survival largely depends on discipline placed on managers.

Table (13) overall aspects of the governance at large food manufacturing establishments in the Gaza Strip

Number	item	Mean	Proportional weight mean	P-value
1	Board of Directors Membership	4.36	43.6	0.00
2	Management of board affairs	3.7	37	0.00
3	Policies and Procedures	4.0	40	0.00
4	Performance Measurement	4.3	43	0.00
5	Aspects of board Meetings	4.84	48.4	0.00
6	Financial Management and Control	6.48	64.8	0.00
7	Relationship with the General Director	6.2	62	0.00
	Total	4.84	48.4	0.00

There is a significant correlation at level ($\alpha=0.05$) between the characteristics of the governance at large food manufacturing establishments and its components (1) board membership, 2) board management, 3) policies and procedures, 4) performance measures, 5) aspects of board meetings, 6) financial management and control and 7) relationship with general director.

Table (14) manifested significant correlation between the total aspects of governance at large food manufacturing establishments and its components. The r values were ranged between 0.456 and 0.789 and sig. value was 0.00. The positive correlations between these variables reflect the importance to develop all the aspects of the corporate governance. Any weak aspect of any dimension of the corporate governance would affect on

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the quality of the corporate governance. Soobaroyen and Sheik-Ellahi (2008) concluded that managers who perceived the corporate governance adoption will have a positive impact on their performance via its effect on enhancing the credibility of the organization. Peters (2004) found that the respondents were critical to the managerial behaviors they observed in the organization. The board and management practices affect the level of accountability and transparency at organizations.

Table (14) Correlation between the aspects of Corporate Governance and its seven components

		Board Directors Membership of	Board Management	Policies and Procedures	Performance Measurement	Meetings and Committees	Financial Management and Control	General with the Kerounsiyup
Total aspects of corporate governance	Spearman Correlation	0.723	0.654	0.789	0.675	0.754	0.456	0.564
	Sig. (2-tailed)	0.00	0.00	0.00	0.00	0.00	0.00	0.00

There is a significant statistical difference at level ($\alpha = 0.05$) in the characteristics of the governance at large food manufacturing establishments attributed to the experience of interviewees and size of establishments.

a. Experience of interviewees:

Table (15) showed that the experience of the interviewees did not influence the aspects of governance at Gaza's establishments. The sig. value of Mann-Whitney (0.154) revealed that no significant difference in the aspects of corporate governance attributed to experience of interviewees. This probably was attributed to the similarity in the experience of the establishments. Table (3) revealed that all sample establishments were with experience more than three years.

b. Size of establishments:

Table (16) revealed a significant difference in the aspects of governance among establishments in the Gaza Strip attributed to the size of establishments. Establishments with number of employees 50 persons or more tend to have better aspects of corporate governance compared with establishments which employ between 20 to 49 persons. The sig. value of the total score was 0.038. This difference is logic. Large establishments tend to be more efficient. In addition, their financial, human and managerial

aspects lean to be more effective. On the other hand, small establishments tend to be informal in many aspects including in planning, organizing and control. Most of small businesses are managed and controlled by one person. Organizational structure and job description were not written. They rarely have board of directors (Ebert and Griffin, 2003).

Table (15) shows the differences in the aspects of corporate governance attributed to the experience of interviewees by using Mann-Whitney U test

Dependent Variable	Experience	Mean	Sig.
Board of Directors Membership	5 years or less	4.30	0.12
	6 years or more	4.40	
	Total	4.36	
Board Management	5 years or less	3.65	0.32
	6 years or more	3.75	
	Total	3.70	
Policies and Procedures	5 years or less	3.95	0.13
	6 years or more	4.10	
	Total	4.0	
Performance Measurement	5 years or less	4.30	0.32
	6 years or more	4.30	
	Total	4.30	
Meetings and Committees	5 years or less	4.80	0.21
	6 years or more	4.85	
	Total	4.84	
Financial Management and Control	5 years or less	6.45	0.11
	6 years or more	6.50	
	Total	6.48	
Relationship with the General Director	5 years or less	6.2	0.34
	6 years or more	6.2	
	Total	6.2	
Total	5 years or less	4.80	0.154
	6 years or more	4.86	
	Total	4.84	

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Table (16) shows the differences in the aspects of corporate governance attributed to the size of establishments by using Mann-Whitney U test

Dependent Variables	Number of employees	Mean	Sig.
Board of Directors Membership	20-49 employees	3.50	0.02
	50 or more	4.60	
	Total	4.36	
Board Management	20-49 employees	3.25	0.03
	50 employees or more	3.85	
	Total	3.70	
Policies and Procedures	20-49 employees	3.55	0.01
	50 or more	4.20	
	Total	4.0	
Performance Measurement	20-49 employees	3.90	0.04
	50 or more	4.40	
	Total	4.30	
Meetings and Committees	20-49 employees	4.40	0.045
	50 or more	4.95	
	Total	4.84	
Financial Management and Control	20-49 employees	5.45	0.034
	50 or more	6.50	
	Total	6.48	
Relationship with the General Director	20-49 employees	5.2	0.032
	50 or more	6.2	
	Total	6.2	
Total	20-49 employees	3.80	0.038
	50 or more	4.96	
	Total	4.84	

12- Conclusions and Recommendations

First: Conclusions

The study came up with the following conclusions:

The aspects of the governance at Gaza's large food manufacturing establishments were poor. The total mean value was 4.48 and the proportional weight mean was 44.8%. To measure these aspects seven dimensions were considered. They include, 1) the management of board affairs, 2) policies and procedures, 3) performance measurement, 4) board

of directors' membership, 5) the aspects of board meetings respectively, 6) financial management and control and 7) relationship between the board of directors and general directors. The characteristics of these dimensions were as follows:

- a. Poor aspects of the board of directors' membership. It was revealed that, the board of directors did not determine the required skills needed for its members, the board members were not diversified in their skills. They were not elected on a regular basis.
- b. Poor management of the board affair. Most Gaza's establishments did not have manual that determine the roles and responsibilities of the board members. They did not have a clear plan for board meeting and job description was not there. Most of board members were inactive in setting business strategies and direction.
- c. Weak policies and procedures were noticed at Gaza's large food manufacturing establishments. The great majority of businesses did not have a written mission or clear objectives. They did not have written policies, procedures, written code of conduct and code of ethics. The board members were not active in strategic planning for business development.
- d. The board of directors did not practice its rule in measuring the performance of establishments. The board did not participate or reviews the annual plan of business. They did not measure the performance of business base on goals achievement.
- e. Lack of regular meeting by the board of directors. The board did not have prepared annual plan for meetings. Further, the board meetings were not effective.
- f. There was an acceptable financial management and control practiced by the board of directors but it needs further development. The board was continuously received quarterly or semi-annual financial reports. It was ensured that the balance sheet and profit and loss account are prepared by the end of every financial year. The establishments were used external financial auditors. The board was discussed the external auditor report.
- g. A satisfactory relationship between the board of directors and general directors were found but it needs further development. The board did not intervene in the daily management of the establishment. The general director was participated in the board meetings. The relationship between the board of directors and the general director was characterized by understanding and cooperation.

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- Large establishments tend to have relative better aspects of governance. Large companies lean to be formal and with better human and financial capabilities.

Second: Recommendations

The study recommends the following:

- Food manufacturing establishments need to give extra attention to their governance. Good governance is a key for the success of any business. The attention should be given to the overall dimensions of the governance including, setting up detailed policies and procedures manual, developing and balancing the relationship among business main stakeholders and financial management and control.
- Add more members to the boards from people who are not affiliated with the establishments. This would reduce level of bias and enrich business ideas for development.
- Separate the positions of general directors and members of board of directors so that general director cannot unduly influence the board's meetings and agenda. This should improve the board's ability to properly evaluate top management.
- Use a committee composed of outsiders to nominate potential new directors. This will help to ensure that potential members are not friends of top management
- Nominate people to the board who have knowledge and skills valuable to the board and who have expertise of value to top management.

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