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Building Communities through Knowledge

Faculty of Commerce

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BOARD COMPOSITION AND ITS IMPACT TO COMPANY PERFORMANCE ON ZIMBABWE LISTED COMPANIES.

BY

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ABSTRACT

The motivation behind a research of this nature was to provide an examination of the key elements in corporate governance that impact on company performance within the Zimbabwe Stock Exchange Listed Companies. Specific attention was paid to board composition characteristics such as board size, board independence and board diversity. A total of 30 publicly listed companies from all sectors on the Zimbabwe Stock Exchange were studied. A quantitative analysis was carried out in order to determine the impact that certain dependent variables had on the performance of the companies. Company performance was measured by return on assets (ROA).

The research had four main objectives which were, to establish the size of the board composition on ZSE firms, to determine the proportion of independent directors on ZSE listed firms, to establish the diversification of boards in ZES listed firms and to establish relationship of board composition to company performance. There was also extensive research on available literature so as to deduce what other researchers found in the area of study. The researcher adopted a correlational study method which makes use of regression analysis to process data into meaningful information.

The research found that only board size was positively related to company performance though the correlation was not significant. Board Independence and diversity were found to be negatively related to company performance and again the correlation was insignificant. Lastly, a recommendation was made for further studies. This study only focused on ZSE listed firms and therefore the results might not be reflective of the situation of non –listed companies hence the need for more research that will also include non-listed companies. This research focused on a few specific board composition characteristics. Whilst the characteristics covered by this research are important, there are other diversity characteristics that still need to be considered by future research.