

# The Effect of Corporate Governance in Achieving Competitive Advantage: Evidence from Jordanian Firms

Bilal Khalaf Sakarneh  
Faculty of Business, Isra University, Jordan

## Article Info

Volume 83

Page Number: 9687 - 9695

Publication Issue:

March - April 2020

## Abstract:

The study intended to show the effect of the corporate governance dimensions includes (transparency, participation and accountability) on the competitive advantages' dimensions (Innovation, fast service provision, quality) in the Jordanian companies. The researcher used quantitative, descriptive and analytical methods through several statistical tools to test the study hypotheses. A regression analysis was used to support the study hypotheses. A random sample of (180) an individual was selected from the Jordanian pharmaceutical companies in Amman district, including (top management and vice manager, Unit Manager, Head of Department). The results showed that corporate governance (transparency, participation and accountability) significantly contribute towards competitive advantage to enhance performance and facilitate providing good services to the customers. In the light of the results, following recommendations were found mainly, Jordanian companies to enhance corporate governance dimensions to improve the required level of performance.

## Article History

Article Received: 24 July 2019

Revised: 12 September 2019

Accepted: 15 February 2020

Publication: 11 April 2020

**Keywords:** Corporate Governance, Competitive Advantage, Jordanian pharmaceutical companies.

## I. INTRODUCTION

Recently, the concept of corporate governance has increased, and gained the attention from the international community to ensure good workflow and stability and organizations would to avoid conflicts in recent times, by applying corporate governance to achieve quality and performance excellence. Corporate governance framework includes a set of organization and laws that regulate the auditing and accounting process as well as providing a complete set of criteria which improve performance to achieve competitive advantage. (Filatotchev, 2006). In this regard, organizations – through the corporate governance process- attempts to govern their processes while providing the largest harmony among their administrative units, as the acts of such units will be in harmony and complete each other.

The corporate governance means establishing source or reference which the rule of organizations, and unit or entity is based, according to some there is not yet a single

definition agreed upon by all economists, legal and analysts, but may be due to its overlap in many organizational, economic, financial and social matters of organizations. (Joseph, 2017). For that businesses organizations, must attempt to survive long time to possess competitive advantage. Therefore, such organizations seek – during severe competition conditions- to search for things that distinguish it from other competitors and suggest various alternatives then choose the best which leads to achieve competitive advantage. (Morten, 2016).

This study measures the effect of corporate governance on achieving the competitive advantage of the Jordanian pharmaceutical companies. This study focused on the importance of the corporate governance in achieving competitive advantage in the business organizations for performance improving. Corporate governance is deemed an important tool that can help to enhance transparency, accountability and rational management. However, the emergence of establishing corporate

governance aims to simplify administrative processes, and to achieve the biggest amount of transparency. Accordingly, the corporate governance is process that uses information in order to simplify and facilitate transaction between organizations and stakeholders, it is also providing complete and rapid information for all officials to rationalize the decision making process and improve the competitive advantage and facilitate providing good service to the customers.

## **2 LITERATURE REVIEW**

### **2.1 The Concept of Corporate Governance**

The concept of corporate governance varies. OECD defined it as a set of relationships that related the managers of companies, boards, shareholders and others (khan.2015). “Any definition of corporate governance will be biased. Advanced market economies led by waves of shareholder activism from USA during the recent 15 years have been dominated by investor biased definitions supported by agency theory. Investors have been principals and the firms or their management, including the boards, have been the agents. This definition has its origin in the separation of ownership and leadership of firms that was discussed in the early 1930’s (Berle and Means 1932). In large corporations with large ownership dispersions, owners were most often too many and individually too small to be able to control the corporations. The corporate control or governance discussion was about this situation, and a board of director was seen as a way to overcome or meet these governance challenges. In USA the need for boards to monitor management to avoid managerial mal- or misbehavior and opportunism was clearly evidenced in the 1980’s (Ljubojević.2014) Corporate managers used their power to circumvent shareholders’ interest and allowed themselves skyrocketing wage increases and various other perks, exemplified through company jets. The markets for corporate control were circumvented through various antitakeover defenses as shark repellents, poison pills, greenmail, white knights, etc” (Morten Huse.2005)

### **2.2 Feature of Corporate Governance**

There are several features of corporate governance. The first is transparency. Transparency is considered one of the modern concepts in the continuous flow of information relating to corporate governance from their real resources, and dealing with them in an open way through various media means to allow performance control which will limit corruption. (khan.2015). The second feature is participation. Participation refers to the corporate governance councils of the civil society to participate in drawing the policies, putting work rules in all activities of the organization as well as giving an opportunity to all employees to play role in the decision making process. (Morten Huse.2005). The third feature of corporate governance is equality. Verica Babic (2017) defined equality as equality of individuals in an organization in the rights and duties, that are taken from the tasks assigned to them in advance whether in terms of regulations, procedures or employment contracts regardless of the nationality or belief or the ideas they believe in.

The next feature is accountability. Accountability is identified as persons and authorities assigned to manage public resources and to provide information relating to the management of such resources so they will be subject for interrogation regarding performing the responsibilities assigned to them in financial and administrative matters not to forget business and programs (Sakarneh, 2017). The fifth feature is disclosure. Disclosure refers to the governance framework should included provision of enough disclosures that are appropriate reliable comprehensive and on the due time, of all important matters, especially those relating to establishment of the company, showing the financial position, ownership and the aspects that affect the administrative performance and the method for practicing authority (Babic, 2017).

### **2.3 The Competitive Advantage**

In this regards, there are many definitions for the concept of the competitive advantage. It

was defined as: the term which indicates organization's ability to formulate and apply the strategies which put it in a better position compared with other organizations that work in the same field (Haidar, 2009). On the other hand, the competitive advantage is described as: (the features which a business desires seriously; it is difficult to be defined or measure not forget that most often it is characterized as imaginary (Chen, 2010). Moreover, the competitive advantage has a main role in the success of business. It is based on concord between the internal abilities of an organization and its opportunities in the external environment. This concord defines the concept of the competitive advantage which is core when being built. In addition to that, the competitive advantage can be defined as the specifications that an organization is excelled on other competitors through the provision of higher value for the customers whether through low prices, higher benefits, or other added services that mitigate the high prices (Abdul Salam, 2014).

Sigalas (2013) defined the dimensions of the competitive advantage. The first is advantage of quality. To keep the organizations in a competitive market, they should provide and offer high quality services that satisfy the customers' ambitions. Consequently, the concept of quality is one of the concepts that gained the interest of scholars and the development that took place in the concepts of quality, dimensions and the variations of application especially the intangible aspects make it a main requirement to the success of an organization (Mursi, 2008). Within this context, Heizer and Render (2017) explained the quality reflects excellence in specific features when compared with the criteria of a matter. This indicates to the compatibility of the specifications of a product with the criteria that were previously determined and the extent of no industrial mistakes in the product, not to forget that quality is a competitive advantage that indicate to the works done in a correct way to introduce products that fit the needs and desires of the customers, not to forget satisfying their needs at any time and giving them suitable priority (Miller, 2016).

Secondly, the service delivery speed advantage that refers to having the desire to submit prompt help to the customers and

provide them with the service, and this can be embodies in the quick provision of service and how to deal with the customers' requests (complaints and questions), since good treatment in service provision and problem solving gives the customer a positive indicator to remove doubts and fears of waiting (Mursi, 2008). Odeh (2014) believes that the fast/quick service provision means the bank's desire to provide an easy service for the customer, which can be seen from the perspective of the service provider through:

- 1- Performing the service as soon as possible/ as quick as possible.
- 2- Implement the service within less time that the customer's expectation.
- 3- Method of dealing/ solving the problems as soon as possible.

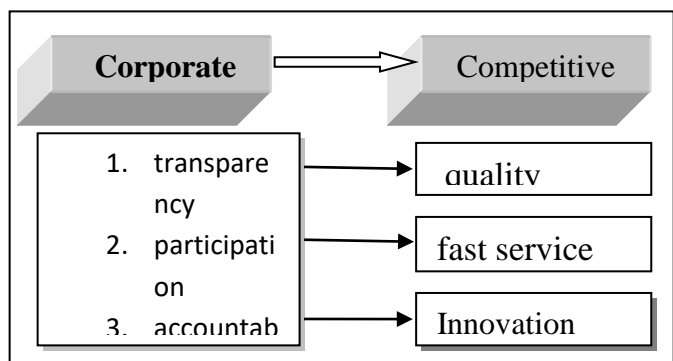
Accordingly, the researcher thinks that the provision of service in a quick way is a main guide that generates customer satisfaction and preserves them, as they are considered an important part in achieving the competitive advantage.

Thirdly is the innovation advantage. A number of scholars has examined the concept of innovation since it a complete process starting from the idea to the product (the practice), then to the market (the advantage) which confirm the vision of (Cobanoglu, 2006). This perspective confirms that innovation equals the competitive advantage. Such a description views innovation as a market opportunity but not a technical one which can be reached in the labs of research and development; this part of the Japanese contribution in this field. In this regard, Japanese organizations see that innovation is the opportunity in the market and lobbying resources to capture such an opportunity. In this context, the entrepreneur innovator can distinguish an opportunity and transfer it into business (Mursi, 2008). This consistent with the Delcourt's perspective in defining innovation as capturing opportunities in the internal and external markets and to innovate new things for such businesses that can be applied in specific problems. Within this perspective, innovation is a new market opportunity which was not necessarily created by the organization; this

opportunity could be by a root or gradual innovation but achieves an advantage on the competitors (Delima, 2016). Accordingly, the researchers believe that such proposal is based on the positive view towards adaptation since adaptation or imitation is not at all outside the borders of innovation or the opposite thereof. Copying may have nothing new, but innovative imitation that introduces new things and improvements may be better than the original or novel work. Innovation might be a product, a technology or an administrative process, or an idea used somewhere else, where its application becomes unique when put in a new context.

### 3. RESEARCH MODEL

Based on the study purpose, literature review, study objectives and research framework has developed a conceptual model to examine the relationship between corporate governance and Competitive Advantage which includes. Fig.1 shows the summary of the proposed study.



**Fig. 1. The proposed study**

### 4. RESEARCH DESIGN

#### 4.1 Population of the Study

The study population consisted of the employees of the Jordanian pharmaceutical companies, whereas the sample represented the employees of the Jordanian pharmaceutical companies. The study population consists of all Jordanian Pharmaceutical Industrial that includes

(9) Firms in Amman district. The study sample includes (25) Related Members of the Jordanian Association of Pharmaceutical Manufacturers 2019. The Unit of Sampling and Analysis includes top management and vice manager, Unit Manager, Head of Department totaling (180) persons. From (200) usable questionnaires were returned, giving a response rate of 90% percent which is an acceptable size according to Sekran (2010).

#### 4.2 Data collection

This study follows the descriptive analytical method, which is one of the forms of analysis and quantitative organized forms to describe a phenomenon or a specific problem and to describe it quantitatively through gathering data and standard information about the phenomenon, or the problem which is investigated, namely: "The impact of corporate governance in achieving competitive advantage with its dimensions (quality, fast service provision and innovation). This is a field study on the Jordanian pharmaceutical companies, as well as the statistical analysis by using SPSS and through using the analysis tool and the questionnaire of data collection to reach the conclusions. To handle the analytical aspects of the study, the researcher collected the primary data through the main questionnaire as a main instrument of the study. The questionnaire included a number of phrases that reflected the goals and questions of the study. And the questionnaire has 35 questions for study variables, and all items were measured using a five-point Likert-type scale (ranging from 1 strongly disagree to 5 strongly agree). Sekran (2010).

### 5. DATA ANALYSIS

#### 5.1 Data Validity and Reliability

To verify the reliability and validity of the study, it was presented to a group of academic arbitrators with experience and specialization in the field of business administration, to take their opinion regarding appropriateness of the content of the questionnaire for the study. And



appropriateness of the paragraphs in terms of number for study and consistent in terms and paragraphs. To confirm the consistency in the

its dimensions (transparency, participation and accountability) on competitive advantage with its dimensions (Innovation, fast service provision,

Coefficients				ANOVA			Model Summary			Dependent variable
Sig* level	T Value	Effect degree		Sig* level	DF	F	Adjusted (R <sup>2</sup> )	(R <sup>2</sup> )	(R)	
0.020	1.767	0.099	transparency	0.000	5	Regression	0.675	0.732	0.790	Competitive advantage
0.072	2.563	0.123	participation		207	Remaining				
0.000	13.765	0.876	accountability		212	Total				

study was used Alpha Cronbach, and the result was statistically acceptable above 80%, and the results showed that the stability coefficient values are acceptable, which are shown in Table 1.

Table 1: Cronbach's Alpha analysis

Overall Reliability Statistics	
Cronbach's Alpha	N of Items
0.832	35

quality) in the Jordanian pharmaceutical companies. Table 2 presents the summary of results for the effect of corporate governance on achieving competitive advantage in the Jordanian pharmaceutical companies. The results show the effect is of statistical significance at ( $\alpha \leq 0.05$ ).

Table 2: Corporate Governance and Competitive Advantage

Cronbach's Alpha Test		
Variable	Alpha	N of Items
transparency	0.825	5
participation	0.813	5
accountability	0.793	5
Quality	0.845	5
fast service provision	0.833	5
Innovation	0.921	5

Table 2 shows the effect of corporate governance (transparency, participation and accountability) on achieving competitive advantage in the Jordanian pharmaceutical companies. The results of statistical analysis showed a significant statistical effect at ( $\alpha \leq 0.05$ ). To test this hypothesis, multiple stepwise regression was used to ensure the effect of corporate governance (transparency, participation and accountability) on achieving competitive advantage in the Jordanian pharmaceutical companies. R coefficient amounted to (0,790) at ( $\alpha \leq 0.05$ ) whereas R2 has amounted to (0,675) which means the amount of (0,732) of changes in the competitive advantage of the Jordanian pharmaceutical companies is a result of the change in the corporate governance (transparency, participation and accountability). Within the same context, the results of analysis showed that the value of the adjusted R2 amounted to (0,675). This results reflects the core interest in corporate

## 5.2 Hypotheses Testing

This study aims to examine the effect of corporate governance on Competitive Advantage in the Jordanian pharmaceutical companies. The first hypothesis is there is no significant statistical effect at ( $\alpha \leq 0.05$ ) for corporate governance with

governance with its dimensions on competitive advantage. This is also confirmed by F value for the effect model which amounted to (144.677) which is significant at  $\alpha \leq 0.05$ ). Additionally, this confirms rejecting the main hypothesis which reject the (zero hypothesis) and accepts the alternative one stating: There is a significant statistical effect for corporate governance of the employees in the Jordanian pharmaceutical companies on achieving the competitive advantage at ( $\alpha \leq 0.05$ ). It means that (transparency, participation and accountability) significantly contribute in competitive advantage to enhance performance .

Table 3 presents the results of testing the first sub-hypothesis based on regression technique. The first sub-hypothesis is that there is no significant statistical effect at ( $\alpha \leq 0.05$ ) for the corporate governance (transparency, participation and accountability) on achieving quality in the Jordanian pharmaceutical.

Table 3: Transparency, participation and

(0.683) shows an effect of corporate governance dimensions ( transparency, participation and accountability) on achieving quality in the Jordanian pharmaceutical companies has explained (0.871 %) of the change that took place in the relationship was medium between variables since ( R ) value = 0.876%. Based on the above, it becomes clear that there is a significant statistical effect. Additionally, this confirms rejecting the first sub-hypothesis which reject the (zero hypothesis) and accepts the alternative one stating: There is a significant statistical effect for corporate governance of the employees in the Jordanian pharmaceutical companies on achieving the quality at ( $\alpha \leq 0.05$ ). It means that (transparency, participation and accountability) significantly contribute in quality to enhance products.

The second sub-hypothesis: There is no significant statistical effect at ( $\alpha \leq 0.05$ ) for the corporate governance (transparency, participation and accountability) on achieving Innovation in the

Coefficients				ANOVA			Model Summary			Dependent variable
Sig* level	T Value	Effect degree		Sig* level	DF	F	Adjusted (R <sup>2</sup> )	(R <sup>2</sup> )	(R)	
0.018	1.889	0.133	transparency	0.000	5	Regression	0.871	0.683	0.876	Quality
0.065	1.432	.2303	participation		207	Remaining				
0.000	14.776	0.855	accountability		212	Total				

accountability on quality

By looking to the results of the multiple linear regression test In Table 3 shown the represented in the existence of an effect for the corporate governance on quality in the Jordanian pharmaceutical companies, we notice that the significance level was(0.00) as shown through calculated F value (164.786), which is larger than it tabulated value (2.60) at( $\alpha \leq 0.05$ ). This represents a moral value for this model. R2 value

Jordanian pharmaceutical companies. In Table 4 shown the represented in the existence of an effect for the corporate governance on dimensions (transparency, participation and accountability) on achieving Innovation in the Jordanian pharmaceutical companies. The adjusted R-Square is equal too (0.768) has explained (0.786 %) of the change that took place in the relationship was medium between variables since ( R ) value = (0.786 %) innovation in the Jordanian

pharmaceutical companies, which means notice that the significance the independent variables (transparency, participation and accountability) could describe the changes of dependent variable (innovation) for about (78 %). It means that corporate governance on dimensions (transparency, participation and accountability) significantly contribute in innovation to enhance products.

Table 4: Transparency, participation and accountability on innovation

transparency, participation and accountability) could describe the changes of dependent variable (fast service provision) for about (66%). t-value associated with accountability is meaningful when the level of significance is five percent and this means that accountability plays significant influence ( $\beta=0.665$ ) on fast service provision .It means that corporate governance on dimensions (transparency, participation and accountability) significantly contribute in innovation to enhance products.

Table 4: Transparency, participation and accountability on fast service provision

Coefficients				ANOVA			Model Summary			Dependent variable
Sig* level	T Value	Effect degree		Sig* level	DF	F	Adjusted (R <sup>2</sup> )	(R <sup>2</sup> )	(R)	
0.022	1.887	0.243	transparency	0.000	5	Regression	0.668	0.881	0.781	fast service provision
0.088	1.776	0.133	participation		207	Remaining				
0.000	15.665	0.665	accountability		212	<b>Total</b>				

The third sub-hypothesis states that there is no significant statistical effect at ( $\alpha \leq 0.05$ ) for the corporate governance (transparency, participation and accountability) on achieving fast service provision, in the Jordanian pharmaceutical companies. In Table (4) shown the represented in the existence of an effect for the corporate governance on dimensions (transparency, participation and accountability) on achieving fast service provision in the Jordanian pharmaceutical companies. The adjusted R-Square is equal too (0.668%) has explained (0.881 %) of the change that took place in the relationship was medium between variables since (R) value = (0.786 %) fast service provision in the Jordanian pharmaceutical companies, which means notice that the significance the independent variables(

## 6. CONCLUSION

The study intended to show the effect of corporate governance with its dimensions (transparency, participation and accountability) on competitive advantage with its dimensions (Innovation, fast service provision, quality) in the Jordanian pharmaceutical companies. The regression analyses was used to support the study hypotheses. Results should that (transparency, participation and accountability) significantly contribute in competitive advantage to enhance performance and facilitate providing good service to the customers. The results were consistent with Verica Babic (2017), Joseph (2013), Morten. (2016).In the light of the study, the researcher

would recommend the following: Enhancing corporate governance in the Jordanian pharmaceutical companies will help improve products performance by using (transparency, participation and accountability). Jordanian pharmaceutical companies should enhance of the culture corporate governance by providing their employees with all regulations needed for this in order to reduce loss of resources and the total cost.

The importance of this study stems from the importance of pharmaceutical companies in Jordan, and from the fact that corporate governance is deemed as one of the modern concepts in the globalization age. However, this current study gains its importance from examining a vital and important topic that helps organizations enhancing their position, rule and value its environment, while enhancing the ability to control their operations and various activities. In this essence, through corporate governance, organizations can deal with large amounts of ideas, information and knowledge with ease and can achieve their required objectives. It is embedded in helping the Jordanian pharmaceutical companies in showing the effect of corporate governance on the competitive advantage and in providing relevant information.

## ACKNOWLEDGEMENT

The author would like to thank the anonymous referees for constructive comments on earlier version of this work.

## REFERENCES

- [1] Abdul Salam, M (2013) Corporate Governance for good corporate governance Through public service delivery An Assessment of District Eservice Centre's in Bangladesh, MA in Corporate governance and Development Institute of Corporate governance Studies, BRAC University Dhaka, Bangladesh.
- [2] Chen, H & Chang, W. (2010). The essence of the competence concept: Adopting an organization's sustained competitive advantage viewpoint. *Journal of Management & Organization*, 16 (5): 677-699
- [3] Cobanoglu, C; Dede, P & Poorani, A. (2006). An analysis of skills and competencies of full service hotel technology managers. *Journal of teaching in travel & tourism: the official journal of ISTTE - International Society of Travel and Tourism Educators*, 6(4), 19-35.
- [4] David & EDET, Lawrence I. (2015) Corporate governance and It Implementation Challenges in the Nigerian Public Service, *Acta Universitatis Danubius. Administration*, Vol. 7, No 1.
- [5] Delima, V. (2016). Influence of Employees' Functional Competencies on Employees' Job Performance: A Special Reference to Insurance Companies in Batticaloa District. *Journal for Studies in Management and Planning*, 2 (6). Available at SSRN: <https://ssrn.com/abstract=2808329>
- [6] Haidar, M, (2009), Information systems/ introduction to achieve the competitive advantage, Vol.1, Al- Dar Al-Jami'yah, Egypt.
- [7] Khan, M., & Vijayashree, L. (2015). Impact of Cotporate Corporate corporate governance on Employees Performance. *Internationa Journal of Scientific and Research Publications*.
- [8] Heizer & Render .(2017) .Corporate governance and Political Modernization: An Empirical Study Based on Asia from 2003 to 2014, Graduate Institution of National Policy and Public Affairs, National Chung Hsing, University, Taichung 402, Taiwan; Published: 31 July 2017
- [9] Filatotchev, I., Toms, S. and Wright, M. (2006), "The firm's strategic dynamics and corporate governance life-cycle", *International Journal of Managerial Finance*, Vol. 2 No. 4, pp. 256-279.
- [10] Ljubojević, Čedomir; Ljubojević, Gordana. Building Corporate Reputation through Corporate Governance. *Management* (18544223) . 2008, Vol. 3 Issue 3, p221-233. 13p.
- [11] Joseph T. Mahoney. Yasemin Y. Kor .2005 .How dynamics, management and governance of resource deployments influence firm-level. Performance. *Strategic management Journal* .Vol 9.NO 12.
- [12] Miller, P.,& Grobe, W. (2013). The collaborative project: Principals' perceptions related to the development and implementation of a teacher Competitive Advantage incentive initiative. *NASSP Bulletin*, Vol.97, No.1, PP 78-100



- [13] Morten Huse\*\* Corporate Ownership & Control / Volume 2, Issue 4, Summer 2005 41  
VIRTUS NTERPRESS CORPORATE  
GOVERNANCE: UNDERSTANDING  
IMPORTANT CONTINGENCIES.
- [14] Mursi, N (2008), Competitive advantage in  
business, Ed. 1, Alexandria for book  
publishing, Egypt
- [15] Odeh, B (2014), the role of social capital in  
achieving the competition advantage: an  
applied study on a sample of the commercial  
banks in Baghdad, Al-Anbar University for  
economic and administrative Journal, 6 (11):  
255- 272.
- [16] Sakarneh, B (2017), Business Ethics, Dar Al-  
Massira for publishing, Jordan.
- [17] Verica B (2017) CORPORATE  
GOVERNANCE PROBLEMS IN  
TRANSITION ECONOMIES