Lebanese American University

The mediating effect of Corporate Social Responsibility on
the relationship between Corporate Governance and
Financial Performance

By

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A thesis

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The Mediating Effect of Corporate Social Responsibility on the Relationship between Corporate Governance and Financial Performance

AbdulRahman AlKassar

ABSTRACT

Over the years, corporations have concentrated their efforts on increasing the effectiveness of their governance practices. In an attempt to decrease risk while ensuring higher returns to shareholders, corporations made efforts to measure such practices. Also, corporations focused on the financial performance of how their earnings respond to diverse managerial policies. Recently, there have been rising pressures on corporations to practice corporate social responsibility (CSR). The issue of whether or not corporations that are actively involved in CSR will operate and perform better has been heavily debated. This raises the question of whether improvement in financial performance can be a result of CSR practices implemented by the firm. This study examines the associations among corporate governance, corporate social responsibility and financial performance. In particular, this study explores the possible mediating effect of CSR on the aforementioned relationship. Empirical evidence of this quantitative study confirmed the significance of the relationships as well as the mediating effects of CSR.

Keywords: Corporate Governance, Corporate Social Responsibility, Corporate Financial Performance, Financial Returns, and Board of Directors

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Chapter I

INTRODUCTION TO CORPORATE GOVERNANCE

1.1 Overview

Over the past twenty years, scholars and experts in the field, as well as practitioners, have been debating the key elements of corporate governance (CG) practices and the reasons as to why corporates engage in corporate social responsibility (CSR). Going further back, the association among corporate social responsibility and corporate governance, corporate governance and financial performance, and as well as the relationship between corporate governance and corporate financial performance (CFP), have been the topic of discussion since 1960 at least. Past empirical studies have shown that the interrelations between these elements have largely been inconclusive (Margolis and Walsh, 2003; Beurden and Gossling 2008; Jamali et al. 2008; Baron et al. 2011). Some researchers like Beurden and Gossling (2008) claim that no clear answer was found as to whether or not it is worthwhile to engage in CSR. Additionally, the majority of the empirical studies do not look out for endogeneity nor causality. As such, research is rather scarce about the direction of causation between CG and CSR. The connection between CG and CSR involvement of firms will be firstly examined by investigating the casual effects which have not been explored in the previous literature. The empirical association among CSR, CG, and CFP can be accurately addressed once the causality between CG and CSR is established. Afterward, the effect of CSR engagement on CFP will be explored by measuring the firm value and operating performance after the correction for endogenic

and the handling of causality cases. The examination of two categories of CG devices will be examined: Internally with the ownership focus on board structure, and externally with the takeover pressures and external monitoring by security analysts and organizational investors. When CG becomes well designed, it can align the incentives of managers with those of the shareholders as designated by the agency theory (Jensen and Meckling, 1976; Bebchuk et al., 2009;). The literature frequently indicates that an effective CG improves CFP. However, in recent times, CG structures also require managers to care about their shareholders (Ricart et al. 2005; Spitzeck 2009). Freeman (1984) indicates that managers need to be reflected as representatives of the board participants in political and social processes and as promoters of the coalition between the external shareholders. Additionally, Freeman (1984) explains that managers need to grasp the rationale of the firms, the specific processes needed to govern relationships with stakeholders, and the chain of transactions that occur between organizations and their stakeholders. Freeman (1984) also states that from a firm's point of view, it has connections with a wide variety of stakeholders including governments, consumers, environmental advocates, media, and competitors. On an individual level, management is obliged to exercise prudence when it comes to socially responsible outcomes within every aspect of CSR (Wood 1991). As such, with the increasing prominence of stakeholder theory in CSR writings, to identify the relative significance of agency theory and stakeholder theory when it comes to the relationship between CSR, CG, and CFP, the random impact of CG on CSR as well as the casual impact of CSR on CG and the effect of CSR on CFP have to first be examined. The debate over whether investments in CSR enhance value, destroy value, or are not relevant to value, makes CSR a highly topical

subject. Discussion about CSR is growing without a universal agreement on its value or meaning. In its core, CSR can be seen as the growth of the efforts of businesses to promote CG efficiently and thus guaranteeing the continued survival of their establishments through healthy business practices that encourage accountability and transparency to the greater society as well as the shareholders. Multiple definitions of CSR exist. According to Friedman (1970), CSR enables a business to be conducted based on the shareholders' requests, which is usually making as much money as possible in compliance with the basic rules of society, which are in respect to both the law and the ethical custom". Four characteristics of CSR have been proposed by Carroll (1979, 1991, 1999), Gatewood and Carroll (1991), and Hill et al. (2007). These characteristics are economic, legal, ethical, and discretionary which are later referred to as philanthropic (Elkassar et al. 2015). Carroll, in 2000, argued that it is not sufficient for businesses to be profitable and ethical. They should also complete these obligations at the same time despite the fact that previous studies show that companies can only concentrate on either social concerns or profits but not both at once. To McWilliams and Siegel (2001), CSR is a set of actions that seem to contribute to some social good beyond the interests of the firm and what is required by law. It is noticed that most definitions of CSR focus on the fact that its situation towards a social context further from the economic, legal, or technical activities of a business (Carroll 2008). In addition of the fact that CSR has multiple definitions, it mainly refers to working for people, communities, and the environment in manners that go above and beyond the legal requirements. The agency theory proposed by Jensen and Meckling (1976) led the way to the overinvestment hypothesis that was developed by Barnea and Rubin (2010). CSR initiatives, as suggested

by the overinvestment theory, do not yield a maximization of the firm value then these very initiatives are a waste of resources which are of a valuable nature and a potential value proposition. Barnea and Rubin (2010) examined empirically the relationship between the ratings of firms' CSR and their capital structure and ownership. They argued that insiders have a tendency to overinvest in CSR. Because an effective CG averts overinvestment, the explanation of overinvestment forecasts a negative correlation between CSR engagement and CG. Moreover, since overinvestment will reduce CFP, a negative correlation between CSR and CFP is expected. Meanwhile, the literature of the conflict resolution hypothesis has been growing (e.g., Jensen 2002, Scherer et al., 2006, Harjoto and Jo 2011). According to the stakeholder theory that was developed by Freeman in 1984, firms should employ CSR as a standard of efficient CG machinations to promote conflict resolution between non-investing shareholders and managers. Likewise, Donaldson and Preston (1995) detail an influential characteristic out of normative, descriptive, and instrumental shareholder conceptions. Once the conflict-resolution account becomes valid, the CG machinations which are effective will be positively correlated to CSR engagement and a positive association between CSR and CFP should exist as well since CSR commitment will reduce any conflicts of interest among the managing shareholders, managers who are not shareholders, and other shareholders. This resolved conflict between interests will lead to the improvement of CFP.

1.2Need for the study

Due to several historical failures of large establishments, corporate governance has changed to become a demanding concern to many corporations (Elkassar et al.2014). Many readings have spotted the light on the significance for acquiring good corporate governance to gain the public confidence and to consider the conflict of interest among its stakeholders (management, financiers, shareholders, etc.).Many firms still don't consider corporate governance as significant and an essential practice since it is not reflected to be a necessity. Also, corporate social responsibility is also becoming an increasingly necessary matter for firms, pushing corporations not only to implement corporate governance but also CSR practices in their corporate governance activities. It is a challenging and multidimensional structural occurrence that is stated to be the choice for which an association is deliberately accountable for its actions and their effect on its stakeholders. CSR is not only responsible for the effect on the profitable setting in which an individual firm functions, but also the ethical responsibilities of a company to its customers and the public. There is an increasing problem in which companies try to attempt to achieve a steadiness between their tough work to generate returns and the impacts of these efforts on the public.

1.3Research Objectives

This research objective is to inspect and investigate the significant relationship between corporate social responsibility and corporate governance and their role in the corporate financial performance.

1.4Relevance of the Study

Upon completion, the research will demonstrate the practices of corporate social responsibility and corporate governance in improving a firm's financial performance. By presenting these practices, executive decision makers in any business will be able to maximize their performance through the existence of a relationship between corporate social responsibility and corporate governance. Also, this study complements previous researches that specified the mechanisms undertaken by each of the board of directors, executives, and top management to ensure a company's growth along with shareholders' return. The study will state the important role of corporate governance in any corporation, the effect of a organization practices in corporate social responsibility, and ways to measure financial performances. Moreover, this research will focus on improving and enhancing the practices of corporate governance to better govern any corporation and increase its performance. These mechanisms involve activities that are socially responsible towards a company's employees, customers, and the government.

1.5 Limitation of the Study

The questionnaire pursues the opinion of different employee levels; each employee had to answer from the point of view based on their department. As a result, some of the sampled employees exhibited minimal level of concern in the study performed. Therefore, this lack of worry in the topic created some limitations affecting the study. Also, the participants, who took part in the study, were all located in Beirut, where big firms and most SMEs exist. Moreover, small companies, recognized outside Beirut, are not carrying out the different mechanisms of corporate governance. Also, some major businesses are family owned; therefore, they are not implementing good governance. The core focus was on the leading

companies operating in Lebanon that are publicly listed and that have some form of partnerships.

Chapter II

PRIOR STUDIES

2.1 Literature Review

2.1.1 Corporate Governance: An Overview

The term “Corporate Governance” is often used about the processes, systems, and principles that shape an organization and govern it in a way that it reaches its goals and targets while adding value to itself and having a positive impact on its stakeholders for the long term. In this particular context, the term “Stakeholders” is used to include the management, board of directors, customers, employees, shareholders, and society at large. As such, the management of the organization would act as a board of trustees for the benefit of the other stakeholders. Transparency in transactions, fairness, compliance with local laws and regulations, and integrity as well as promoting accountability, responsibility and commitment in conducting business in an ethical manner are the very foundations of Corporate Governance. It goes without saying that the core of Corporate Governance is the ability of those in charge to distinguish between personal and corporate funds.

2.1.2 Segregation of Ownership

Corporate Governance includes intrinsic and extrinsic factors that weigh on the decisions of managers when it comes to segregating ownership and control. According to Shleifer and Vishny (1997), Corporate Governance is defined as the act of ensuring that management does not make bad investments or jeopardize the organization by illegally withdrawing from the capital of the firm for their personal benefit. Separating ownership

from management (Berle and Means, 1932) may cause fundamental conflicts between management and the providers of the capital. The suppliers of the organization's capital's primary concern are to maximize their profits from investing into the organizational entity. Due to that, they take inordinate interest in how the managers handle their investments. Jensen and Meckling considered the organizational entity as a nexus of contracts in which the opposing goals of managers and shareholders as well as other participants are balanced inside a carefully crafted relationship. However, due to the need to control costs and reducing unnecessary expenses and due to the lack of clarity in corporate contracts, Macey established in 1998 the need for Corporate Governance principles. Due to the complexity of the balance between ownership and control, several methods have been used to ease the operation. These methods include aligning the sponsors' interest with that of the management by having accurate disclosure of the compensation plans and bonus schemes for example. Other methods include board mentoring by large shareholders, legal protection of minority shareholders and expropriation through the market for corporate control as an external process. Despite its profundity, corporate governance still serves the straightforward goal of maximizing shareholder return on investment (yassin et.al 2012) . As such, the relationship between corporate governance and firm performance is commonly positive. In this light, Maher and Andersson (2002) have shown that corporations that refrain from adopting cost-efficient corporate governance processes have a lesser performance and are at a higher risk of being replaced or taken over in the long run.

2.1.3 Fraud, Embezzlement, Risks, and Lawsuits

Fraud has been one of the main reasons behind corporate scandals recently. Corporate

governance codes, as well as new regulations, are intending to reduce the risk of fraud and the resulting lawsuits in the future. In 2002, the Sarbanes-Oxley Act of 2002 created vast amendments controlled by it. The committees, which have a widespread financial experience, meet frequently and go over the integrity of financial reports. By taking a closer look at results that various corporations have yielded, it can be deduced that no correlation exists between good governance and a desirable performance. However, there is an agreement among experts in the field and researchers that a good system of corporate governance will reduce fraud, reduce business failure, and cut costs on director and officer insurance.

2.1.4 Corporate Financial Performance: *An Overview*

The term “Valuation”, according to Maliene, Deveikis, Kristen, and Malys (2010, p.36), is the mechanism that is used to approximate the amount of which a definite asset are traded between parties willing to engage in an arm length transaction. However, these parties are acting knowledgeably and with prudence but without any compulsion.

Maliene et al. (2010) state that valuation is mostly used as a requirement for insurance, taxation, investment, accounting, and rating purposes. Furthermore, Kohli and Saha (2008) state that the best measure of value is the considered market price as it is set in the financial markets. Considering that logic, it would not be easy to assess the value of firms or assets that are not part of the financial markets (Anderson 2009; Artemenkov, Mikerin, and Artemenkov, 2008). Value consists of several concepts such as intrinsic values, book values, market values, economic value and fair values. These conceptions act as the foundation of valuation models in the analysis of investment. Accordingly, Haugen (1986) differentiates between the market and book values. By differentiating them, book

value was defined as the estimate of an accountant of the value of equity holdings in a specific firm based on the historical cost. Specifically, it is a book value of the global assets of the company for accounting, and it has fewer claims on assets. However, book value does not indicate future growth possibilities. The economic value, on the other hand, is the current value of the cash flow the asset is expected to yield (Fountaine et al., 2008; Stowe et al. 2002). Stowe et al. (2002) and Vogt and Vu (2000) explain further by saying that the economic value and the market value should be one and that shows the amount that investors are willing to pay for a certain asset. It can also show the characteristics of growth prospects of that asset Stowe et al. shared a definition of asset valuation in 2002. According to them, within a context of corporate valuation, it is the approximation of the value of an asset based on factors that are linked to investment returns occurring in the future or on contrasting it with similar assets. Stowe et al. also believed that liquidated value and going-concern value are not entirely similar. A Going-concern-value is that of a firm believing that it will keep conducting business in the foreseeable future. The liquidated value, however, is the present value of a firm if it disbanded and went out of business today without calculating the future flow of cash into the company; in short, it is the remaining about after deducting all the liabilities from the total assets. The fair value of a firm is a specific price at which the assets of that company would be freely exchanged between a willing seller and a willing buyer. Stowe et al. (2002) state that the consumer and seller must not be under any compulsion or influence to sell or buy the asset. This results in a difference between the fair value and the market value as designated by the aggregate market participants. From another perspective, behavioral finance theorists believe that prices can be influenced by psychological and

emotional factors and, as such, do not represent the accurate value of the asset (Akhter and Misir, 2005; Salomons, 2008). By considering a business establishment's management, financial, and operating characteristics as well as growth aspects, the fundamental values can set the fair or intrinsic value. The use of the price-to-earnings ratio, price-to-sales ratio, and other price-multipliers can, according to Vogt and Vu (2000), Stowe et al. (2002), and Lee. Obrien and Sivarmakrishnan (2008) agree on the fundamental valuation models used to estimate going-concern values. As demonstrated by Stowe et al. (2002) and Cheng, Hsieh, and Yi (2007), P/E for a firm reaching \$10.00 per share and its average EPS (Earning Per Share) is 4, then the equity price is expected to be \$40.00 and if the shares outstanding is of a value of 100,000 then the business establishment's value is $\$40.00 \times 100,000$ shares or \$4 million. Cheng et al. (2007) believe that the accounting methods and earnings are related to the total value of a firm. Fernandez (2007) and Stowe et al. (2002) explain that the issue with price multiples method of valuation is that they are affected by accounting measures and choices. The DDM (Dividend discounting model) clarifies the values of equities as well as other assets by using dividend payments. The dividend is substituted by fixed interest payments for fixed income securities (Fabozzi, 2002; Hayes, 2006). This helps in valuing the business establishments that have a consistent dividend policy. Using DDM may cause issues for corporations that do not pay dividends. Once the investor is indicated as mutual funds or pension funds or even other kinds of institutional with the objective of influencing or manipulating the business, the DDM becomes inappropriate since dividends are not the only source of payment as described by Stowe et al. In 2002. Taking dividend policy and growth rate changes into consideration, it is possible to modify the constant growth

assumptions in the model. The Free Cash Flow (FCF) model utilizes the flow of cash accessible to shareholders excluding operating costs, investments in working and fixed capital, and interest payments as stated by Vogt and Vu in 2000 and Stowe et al. In 2002. In general, the free cash flow model is most effective when the firm does not pay dividends or the act of paying dividends is not on a timely, predictable basis (Stowe et al. 2002). Keeping in mind that the model cannot be used effectively when the firm has any negative cash flows throughout the valuation period. It is implied that stock prices of businesses and positive cash flows are positively correlated as the dividend payouts to stockholders are increased by the management. Despite that, the FCF (Free Cash Flow) model predicts a fall in stock prices the organization will fail to increase dividend payouts and use free cash flow on unprofitable investments and perquisites. The discounted valuation model including free cash flow and dividend models present a difficulty in accurately forecasting streams of cash flows over the long term. According to Stowe et al. (2002) and Kumar and Krishnan (2008), the valuation model is easily affected by the quality of data inputs. An additional instrument to value equity is the Residual Income (RI). Stowe et al. (2002), Anderson et al. (2008), and Fountaine et al. (2008) define it as 'the earnings more than the required return on financial investments. Based on the concept of Residual Income, Fountaine and colleagues have indicated that the market value added (MVA) and economic value added (EVA) are useful in the valuation of assets. Yet, they still viewed the economic value added as a better model than the market value added. Residual Income is suitable to be utilized when it is rather difficult to specify the terminal value of equities, when a firm has negative free cash flows in the timeframe around the present (recent past and the recent future), or when a firm is not

dividend-paying. Residual Income Model uses book values as well as expected value added of the business establishment. Thus, in the valuation process, according to Stowe et al. (2002) and Anderson et al. (2008), terminal equity values are less useful in the valuation process. Complexity theory and behavioral finance issues can be used to discard the valuation models (Blitz and Vliet (2008) and Lee et al. (2008)). Instead, Blitz and Vliet proposed that momentum indicators should be used to value equities due to complex market behavior and obstacles hindering the forecasting input variables. In spirit, momentum indicators are a rather technical analysis and stand against the market efficiency hypothesis and fundamental analysis. Technical analysis as defined by Kahn in 2010 is a method of identifying market value by utilizing market data and the interactions of people within the boundaries of the market. Trend analysis as well as moving averages are used in technical analysis to identify equity values yet price momentum strategy and practical analysis do not include asset-specific variables like cash flows or earnings but they use price levels instead as well as magnitude of trading, rate of changes of the value movements completed in a specific period of time as valuation puts. Sharma and Jaitly suggested, in 2004, a transition from utilizing technical analysis and book values of valuation to market-oriented perspective of valuation or even an integrated approach that combines market and book values.

2.1.5 Measures of Financial Performance

The majority of the analysts at Wall Street as well as the investors tend to concentrate on return on equity as their chief indicator of company performance. Since it appears like this metric gets the most attention from the community of investors, numerous executives focus heavily on it. Whether or not it is the best metric is a debatable matter. Despite the

fact that various complicated valuation techniques have come along such as CFROI, DCF modeling, and IRR, ROE has lasted a long while. This stands to reason as ROE concentrates on the return received by the shareholders of the company. For shareholders, this provides an easy and quick to comprehend metric. It can also hide various possible issues. Should investors become careless, it could draw their attention away from the fundamentals of the business and can yield undesirable outcomes. Firms may seek financial strategies to mechanically achieve a flourishing ROE for a period of time and obscure regressing performance in the basics of the business. An increasing debt leverage and buybacks of stock that are financed via accumulated cash can aid in maintaining the establishment's ROE despite the fact that operational profitability is on a decline. To preserve the satisfaction of investors, firms engage in these strategies due to strong incentives such as mounting competitive pressure accompanied by mechanically low interest rates and the characteristics of previous twenty years. When the market demand for a business establishment's product decreases, excessive debt leverage turns into a solid hindrance; a fact that many companies learn during the ongoing economic decline. It may be because increased risks for an establishment during troubled times. Once the profitability that is underlying keeps on declining, debt leverage and stock buybacks will become more crucial in order to preserve the same levels of return on equity and thus leading to an increase in the exposure of the company to unforeseen troubles in consumer demand or financial market crisis and thus leading to an addictive behavior. Due to the fact that the impact on stock performance can be instant, leaving ROE to decline is often not easy to consider thus it is understandable as to why some might seek to delay this as the risks otherwise might be less quantifiable and not as swift. The authors of Shift Index

followed a different bottom-line metric for corporate financial performance due to these issues with ROE. Return on assets bypasses possible impairments caused by financial strategies such as the aforementioned ones. Similarly, ROA measures financial performance in a superior way than income statement profitability measures such as return on sales. ROA also expressly takes into consideration the assets utilized to reinforce business activities. It finds out whether or not the business will be able to gather a competent return on these assets instead of just showing dynamic return on sales. While companies that are light on assets can harvest a great return on assets from thin margins of net income to support the business, companies that are heavier on assets need to meet a higher threshold. Numerous companies lease manufacturing and logistics operations that are asset intensive to other more specialized service providers in an attempt to transform their business into a light asset one. While these assets have not been removed, they virtually shifted from one company to another. These asset investment must surely be harvested as reasonable returns. It goes without saying that even those light asset firms have a number of limited current and fixed assets needed to support the business. By using ROA as a key performance measure, management can focus its attention on the assets that are crucial to running the business. While executives are free nowadays to outsource the management of these assets to specialized companies, the essential question to be asked remains as to who is the more fitting position to reap the highest returns on those assets. By keeping this interrogation in mind, executive teams are helped on focusing their own dealings more thoroughly on actions and assets they are the most qualified to govern and to outsource to other companies the ones they are less qualified to manage. Capability leverage aids a firm through the phases of an economic cycle by

acting as a solid alternative to control which becomes an inescapable a huge burden in an economic downturn. By outsourcing to specialized providers, profitability can be achieved more quickly and with greater numbers because of the diversity, scope, and scale of their operations. This helps companies grow rapidly during an economic upturn. Recovering during downturns can be aided by variable cost outsourcing agreements. Since financial leverage simply assisted in increasing returns to shareholders by being readily available, various companies have been lead to disregard the potential of capability leverage. ROA trends that are used for long-terms shed light on the importance of the options of capability leverage. Increasing economic pressures are mostly hidden by the current measurements and time frames used. This is not basically an indicator for current economic downturns. By studying the long-term trends the conclusion that the traditional approaches to business are fundamentally flawed can be reached. This erosion is happening even though there is a shift towards businesses with light asset activities and in spite of the absence of the talent of the workforce, a crucial asset, from the balance sheet.

2.1.6 The Relation between Corporate Governance and Financial Performance

Over the recent years, various researchers have been progressively concerned on how CG impacts the firm's financial performance. Until this date, a widespread range of studies demonstrates that no agreement among investigators has been reached (Agarwal and Knoeber, 1996; Xu and Wang, 1997; Lehman and Weigand, 2000; Gruszczynski, 2006; Black et al., 2006; and Berthelot et al., 2010). A number of these studies have concluded a positive substantial effect of CG on financial performance. For example, Drobetz et al. (2004) determined that methods for dealing with firm value such as measurement of

business assets in relation to a firm's market value (Tobin's Q) and market-to-book value are significantly linked to better more efficient CG practices. There is a significantly positive connotation between Tobin's Q / market to book value and CG which is made up of 51 principles of internal and external governance instruments. When we are discussing developing economies in accordance with Mohanty (2004), there is a substantial positive relationship between CG practices and financial performance as measured by Tobin's Q and excess stock return. Black et al. (2006) examine whether the overall CG is connected with the market value of public companies in Korea. The results display that a stable CG forecasts sophisticated market values. In parallel, it indicates a reduction in the firm's cost of capital, as an effect of a better CG that is greatly valued by stakeholders. In contrast, Ehikioya (2009) inspects the relation between CG structure and firm performance for 107 corporations listed on the Nigerian Stock Exchange. The outcomes report the positive association between ownership concentration and firm performance where the significantly focused proprietorship structure defends the welfares of depositors and additional shareholders. On the other, there is no relationship among board arrangement and corporate performance. Board size, number of outside directors, and family-owned share obviously touch bank performance as reported by Huang (2010). This articulation is consistent with the conclusion of Varshney et al. (2012), who delivered observed signs that a decent CG practices noticeably touch a company's performance as a measure of economic value. However, during the usage of other traditional performance dimensions, such as Tobin's Q, return on capital used, and return on assets, are to be measured, this connection cannot be confirmed. Although by the tremendous efforts made by the OECD to improve the progressive association between

the optimal practices of CG and corporate performance, such a connotation is not as straightforward, in specific, in in cooperation of transition economies and emerging markets. In accordance to Aboagye and Otioku (2010), they found no relationship between the states of CG among rural and community banks in Ghana and their financial performance. In addition, Al-Tamimi (2012) specifies the positively significant association among the CG activities carried out by UAE national banks and their performance level. In this context, Makki and Lodhi (2014) examine the being of a dangerous organizational association concerning CG, intellectual capital proficiency and firm's financial performance. They found no direct relationship among CG and a corporation's financial performance. However, an effective CG in a company has a significant progressive influence on intellectual capital efficiency which ultimately improves its financial performance. In the Egyptian setting, Elsayed (2007) examines the association among CEO contrast and business performance for 92 Egyptian businesses throughout the period from 2000 to 2004. The observed results does not show indication concerning the effect of CEO contrast on business performance. Moreover, the positively significant outcome can be distinguished during low corporate performance. Omran et al. (2008) study the link between possession focus as a CG practices and corporate financial performance, by means of 304 companies as a demonstrative set from the Arab equity markets, counting Egypt, Jordan, Oman and Tunisia. The conclusion resulted in that there is no significant impact on the performance in possession focus firms. Opposing to the agency theory (CEO non-duality structure) and the stewardship theory (CEO contrast structure), Elsayed (2010) reveals that the suitable board management formation differs with firm size, time of life, and tenure structure. In addition, Elsayed (2011) discovers a

positive connotation among board magnitude and corporate financial performance in the presence of CEO non-duality. Nevertheless, such relationship turns to be negative in the existence of CEO contrast. What Wahba (2015) came up with using a sample of 40 Egyptian-listed corporations proves that the growing percentage of non-executive board participants under CEO contrast shows no effect on the firm financial performance. In the light of the above varied outcomes, the predictable progressive effect of internal and external CG practices is highly affected by the environment.

2.1.7 Corporate governance and financial suffering

The relationship among financial suffering and CG has derived the lead in the academic discussion ever since the 1980s. For this relationship to be validated, the straightforward stream in various studies concerning this study is dedicated on clarifying how CG practices in healthy corporations vary from those in firms that are suffering and their impression on the likelihood of default (Daily and Dalton, 1994; Elloumi and Gueyié, 2001; Lee and Yeh, 2004; Wang and Deng, 2006; Persons, 2007; Swain, 2009; Al-Tamimi, 2012). Another course of financial suffering researches emphasizes primarily on the influence of CG practices on the endurance of the firms that are in pain (Cutting and Kouzmin, 2000; Parker et al., 2002; Muranda, 2006). On the subject of the relationship among CG and financial suffering, Hambrick and D'Aveni (1992) states that having a dominant CEO as a weak practice of CG is more likely to be associated with firm bankruptcy. On the contrary, Daily and Dalton (1994) approve the progressive relationship among the probability of bankruptcy and ruthless mechanisms of CG as measured by CEO contrast and lesser individuality between the firm's directors. Lee and Yeh (2004) spread their study by providing a valid indication that corporations with

fragile CG, escalates the capital expropriation hazard and, as a result, decreasing the business's value. Hereafter, the outlook of default is extremely anticipated. Moving forward to the Chinese provisional economy, Wang and Deng (2006) proves that there is no association of financial suffering likelihood and CG practices such as bulky stockholder possession, public possession, and the percentage of self-regulating directors. On the contrary, other CG traits including CEO contrast, board scope, executive possession, and degree of well-adjusted possession, have negative influence on the likelihood of defaulting. Likewise, Abdullah (2006) states that there is a negative relationship among the concerned status of Malaysian companies and proprietorship structure, as measured by the proportion of stocks held by executive directors, non-executive directors and external main stockholders. Furthermore, the possession concentration, state control, ultimate owner, self-determining directors and inspectors' opinion are adversely connected with the probability of financial suffering Li et al. (2008). On the other hand, a positive connotation was found between the managerial expenditure ratio and the likelihood of financial suffering. Additionally, administrative possession shows a negative impact on monetary distress. Nevertheless, a progressive substantial association among financial suffering and the CG mechanisms of UAE national banks was found by Al-Tamimi (2012). Concerning the influence of CG mechanisms on the endurance of the concerned corporations, an examining of 176 - financially distressed firms in the USA by Parker et al. (2002), shows no noteworthy connotation among the replacement of the CEO with a stranger and the probability of the firm's endurance. Nevertheless, a huge percentage of foremost shareholders and eternal possession shows a positive effect of the likelihood of an organization's durability.

Likewise, Muranda (2006) examines the association between CG failures and financial suffering, taking eight Zimbabwean financial institutions facing financial distress. The outcomes delivered empirical evidence that lacking an independent board generates supremacy of inequality in the board. Such differences among executive and non-executive board participants lead to the failure of board efficiency. Clarification of such an association is a need after this unique relationship between CG and corporate financial distress.

2.1.8 The impact of different governance procedures; and the different procedures of the firm's performance

Firm-level governance instruments can be categorized to two wide-ranging classifications: internal and external governance instruments (Gillan, 2006). Internal governance means that corporate governance configurations and procedures are within the control of the corporation's stakeholders and the board of directors (Brown et al., 2011). Consequently, internal governance instrument is measured by board of directors and stakeholders. However, takeover and market for corporate control are primarily regarded as external mechanism (Cremers and Nair, 2005). Therefore, external governance instrument is measured by anti-takeover guides. According to Jensen and Ruback (1983), the foremost procedure of governance is concluded by the market for corporate control (external governance). In respect to this argument, a study by Gompers et al. (2003) and Bebchuk et al. (2009) (hereafter BCF, 2009), reveals the influence of anti-takeover guide which is a substitution for external governance instrument of corporate financial performance and evidence a significantly positive impact of external governance on firm performances. However, Cremers and Nair (2005) document that

both internal and external governance are significant in clarifying company's performance than any of those in separation. Their study demonstrates that the importance of governance measured by only external mechanism in Gompers et al. (2003) is strengthened particularly when the role of internal governance instrument is also considered. Their outcome is reinforced by Brown and Caylor (2009) who made a parsimonious index, Gov-7, based on seven features including two external instruments and five internal instruments. They demonstrated that the index entirely pushes the connection among governance and corporation value detailing that effective corporate governance involves both internal and external procedures. Hodgson et al. (2011) investigates the Thai Institute of Directors' (IOD) corporate governance index which includes both internal and external governance procedures on financial performance of the Thai listed companies over a period of 2001-2006. They found a progressive association among corporate governance levels and the financial performance metrics. A study about the role of corporate governance in International Financial Reporting Standards (IFRS) merging of Chinese listed companies was conducted by Chen and Rezaee (2012). They discovered that internal governance instrument such as efficiency of board of directors touches the degree of IFRS convergence directly and indirectly by using external governance mechanism such as inspection quality. Numerous other investigates, such as Hadlock and Lumer (1997), Mikkelsen and Partch (1997), Schulze et al. (2002) and Anderson and Gupta (2009), also classify the balancing association among these two governance dimensions. A study finds that the mixture of internal and external governance inspires superior investment and eradicates payment extraction by

upper executive further than any of those governance procedures single-handedly Acharya et al. (2011).

2.1.9 Financial Performance Accounting perspective

Return on Assets (ROA) and Return on Equity (ROE) are the accounting procedures for the short-term operational performance of the company, reflecting a touchable, and balance-sheet outcome with the result of corporate governance that is already combined in the accounting significance. In contrast, the long-term significance of the company has more to do with market observations around the importance of corporate governance. A more reliable measure of performance to be considered is the Market measures, as accounting procedures can be actually manipulated at the management freedom of choice (Cochran and Wood, 1984 and Rhoades et al., 2002). For that reason, a minority of the researches examining the influence of governance on performance is emphasized on market value. Nevertheless, there is a significant argument concerning the relationship among governance and measurements of corporation's performances. According to Gompers et al. (2003), he reveals that depositors do not regularly recognize practices of corporate governance on the corporation's market value. Furthermore, a study that ROA is a healthier measure for investigating the relationship among performance and corporate governance was suggested by Core et al. (2006). On the other hand, the stockholders' value maximization theory proposes that market value identified must be the accurate measurement of performance. A study conducted recently addressing the association among corporate governance and firm performance detects various results. For example, using a combined sample practice, Fosberg (1989) finds that there was no link between governance measured by the percentage of external directors on the board and firm

performance, i.e. ROE. Klein (1998) detects that there is no association among governance measured by complete board independence and ROA. Nevertheless, by proceeding into the internal mechanisms of the board, i.e. board committee arrangement, Klein finds that internal incidence on specific finance and investment committees have an assured impression on ROA. Performing a large-sample, long-horizon study on American large firms, Bhagat and Black (2002) find no relation between board independence (fraction of independent directors minus the fraction of inside directors on a company's board) and ROA. In contrast, there are plenty full of studies which detect a progressive association among governance and performance, such as Drobetz et al. (2004), Beiner et al. (2006), Bhagat and Bolton (2009), Core et al. (2006) and Bauer et al. (2008). Moreover, all of these researches consider the perception in developed economies. Therefore, Cheung et al. (2007, 2010 and 2011) derived numerous readings on emerging Asian countries such as Malaysia, Hong Kong, China, Indonesia, India, Singapore, Thailand, Indonesia, and Taiwan which are considered by possession focus and by this means deficiency of takeover hazard. They came up with an innocently progressive association among corporate governance (measured by either Organization for Economic Co-operation and Development [OECD] principles or Credit Lyonnais Securities Asia [CLSA] governance provision) and firm performance (Tobin's Q and ROA). In contrast, researchers conducted on Latin American nations, counting Brazil by Carvalhal da Silva and Leal (2005), Chile by Lefort and Walker (2005), Argentina by Bebczuk (2005), Mexico by Chong and López-de-Silanes (2006) and Venezuela by Garay and Gonzalez (2008), demonstrate a progressive association among governance score and firm value.

2.1.10 How is the cost of capital influenced by corporate governance?

A commonly held belief states that there are lower capital costs when an effective corporate governance is implemented. The reason to that could be the lower risk resulting from corporate governance techniques that would lead to lower capital costs. That is not the only explanation. Another research lies, believes that greater disclosure enhances liquidity in the stock market and thus creating a lower capital cost. This is supported by a study conducted by various people including Verrecchia on 1999, Leuz and Verrecchia in 2000, and Botosan and Plumlee in 2002. Lower barriers to information are crucial to lowering the cost of capital, as such, it is highly relevant for management to be committed to being transparent with shareholders. A strong positive correlation is noted between reduced capital costs and business valuation for firms. What these factors primarily suggest is that transparency and clarity between the management and shareholders when it comes to financial information would reduce uncertainty and thus cut costs from the capital.

2.1.11 Corporate Social Responsibility: An Overview

The notion of corporate social responsibility (CSR) takes a firm beyond the economic atmosphere it is typically associated with. It takes issues in the social environment and the involvement of numerous criteria that are about the firm's behavior. CSR, in general, is bearing a set of rights and responsibilities towards the general society at large that surrounds the establishment and does not allow it to focus solely on economic management to obtain a corporate or business objective. The day to day activities of firms is shaped by various challenges beyond the economic and legal ones such as ethics, environmental causes, and social facets. If an establishment works solely on maximizing equity, it will miss meeting its social challenges. Classically, a company is defined as an

economic unit that engages in the production of goods for the purpose of sating needs. It is influenced by the maximization of utilities implying the maximization of the beneficiary's equity. To some, this methodological concept may appear as origination from Hedonistic and Utilitarian schools that act as the foundations of economic sciences. CSR integrates into the impression that a firm's most important purpose is to maximize the owners' equity and broadens its objectives to involving socioeconomic facets. According to a study conducted in 2005 by Robbins and Coulter, In 2005, Robbins and Coulter suggested that social responsibility of a firm's management reaches farther than the pursuit of economic profits and it consists of the empowerment and growth of society's wellbeing in general. The concept is based on the notion that corporates do not only satisfy the needs of their owners but also serve a larger set of stakeholders who are social influences with the interest in the establishment. While the concept of corporate social responsibility might seem complex, to some, it only serves the basic need of continued existence and assured survival. A concept developed by Bestrate'n and Pujol in 2005 highlights the suggestion that a company that practices corporate social responsibility is economically competitive and is trying to ensure its continued existence. The authors state that the company must fulfill certain requirements. For instance, the company must act ethically when it comes to decisions that impact the greater culture of the organization. It should also offer services and products that satisfy the user's needs, respect the environment, integrate the company into the community around it, and perform beyond the minimum regulations. Stating that the business must be homogenous with its surrounding environment infers implicitly that CSR is a multifactorial topic. This is a criterion that must be kept in mind while evaluating CSR.

According to a study conducted by Lozano in 2003, the European and North American views on CSR are not coherent. In the United States, the concept of CSR consists of an influential management setup on the other stakeholders. Those who have the ability to influence the company or weigh on its decisions are the companies taken into consideration. In contracts, the European definition ties CSR to the global vision of the organization. Despite the fact that Lozano states that establishments in Europe focus on the relationships with local communities, they tend to place more weight on all the operations in which the firm is involved especially in matters related to politics and social aspects in which the firm conducts business.

2.1.12 The Types of Corporate Social Responsibilities for Businesses

CSR, as defined by its promoters, covers a comprehensive range of issues that include employee relations, corporate ethics, human rights, mass layoffs, and community and environmental relations among others. As such, CSR Europe, an organizational that contains big companies across the continent as members, states the following guidelines for CSR:

- Employees(work setting)
- Customers and suppliers (market setting)
- Community/Government
- Environment
- Human rights
- Ethics

The economic approach the establishment follows is the key factor in deciding whether or not the firm would enforce a CSR system and the action plans that would subsequently be taken. To those who have a neoclassical perspective on what a firm is would assume that the sole social responsibilities that are needed are payment of taxes and provisions of employment. “Few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as they possibly can” as said by Milton Friedman (in 1962 on page 133 of his publication). There is nothing less than taking the aforementioned view to the extremes of maximizing shareholder value. A different approach on the topic that is presented by Cyert and March, behavioral theorists, in 1963 (cited in Wartick and Wood, 1998). From this outlook, corporate social activity is viewed as influences of non-economic nature and because of political facets on managerial behavior. Personal motivations could also be a deciding factor. A top executive’s personal choices and opinions or a specific perspective that is correlated with the exercising of power are examples of such. This perception on corporate social activity has two main strands; the first states that it is the role of business to aid in the solving of social problems since it has resources and thus has a moral or ethical obligation. As such, a study conducted on the attitudes of executives over social responsibility in 1976 (Holmes), became apparent that adding to the profitability, solving social problems should be helped by the business whether or not this business is involved in the creation of those problems, even if there is no probably short run or long run profit possibility. In other words, because a business employs resources and skills, there is a somewhat moral obligation to enact corporate social responsibility. This may be the perspective of

executives but not those of the beneficiaries or owners of the corporate. Those who support CSR believe that it is of the interest of the business to implement several methods of CSR. Enhanced reputation, greater employee loyalty, and retention, as well as others, are some of the business benefits of CSR.

In Australia, a study supports the aforementioned analysis. The study, which was conducted in 2000 by CCPA tackled the issue of motivation by business community engagement. The results suggest that Australian businesses are undergoing a change in expectations of their social part or role and one of the reasons for this is that the social role is a factor for continued growth and health of firms and establishments conducting business. The study also shows that about three-quarters of the companies that were involved have a goal of directing a sustainable business that lasts for a long term “at the heart of the ‘business case’ for community involvement”. One tenth of the companies involved views that social obligation is exclusively achieved by “returning value to their shareholders” while another 10 percent claims that community involvement is a method for ‘putting back’ without the intention of seeking a return.

Three distinct patterns can be observed thus far, and they are a rightful approach with ties to social expectations, a neoclassical approach, and a distinguished self-interest.

Additionally, social legitimacy is referenced to possibility imply that there is an essence of social expectations that any legitimate business would follow. It may be viewed as a form of social contract. What the point left to debate is whether or not the proponents of advanced or enlightened self-interest are motivated by any profit-based incentive as promoted by Friedman and as such concur with him with regards as to whether CSR is the method to achieving the optimal shareholder wealth or whether an ethical or moral

latent demand. By currently tackling the nature of CSR, this issue becomes apparent. CSR Europe's method consist of stating that businesses reap benefits from being responsible socially which in turn will positively impact their sales, the trust in the company, and their workforce in general. The key objective ultimately remains to provide a sustainable expansion or growth for the business in a flawless, responsible, and ethical manner.

2.1.13 The Various Components of Corporate Social Responsibility

Unlike responsibility which is assigned, applied even mistakenly to a group, or forced upon an entity, accountability alludes to the behavioral pattern of an individual in a precise social structure or situation as stated by Wood and Winston in 2007 (p. 168). Accordingly, Sedikides et al.(2002) claimed that in a business setting, the corporate that adopts the concept of accountability is in line with prevailing norms and it also gives justification to the demeanor that strays from those very norms. Research conducted in 2000 by Crowther suggest that the correct measures as well as reporting techniques aid in the identification of what a firm is accountable for while that there is a growing expectation for companies to show accountability regarding the business actions (Feltus and Petit, 2009). In other words, accountability is seen as an obligation to provide a report or account of the activities to which an entity is held responsible Openness as a concept has been discussed extensively by researchers, psychologists, and experts in the field as a driving factor. It is also one of the main elements of accountability according to Tetlock (1999) primarily because communication concerning the organization's core fundamentals such as its vision, values, and effectiveness have also to be shared with the public as well as the stakeholders. "Answerability" is another fascinating term that

associates itself with accountability. It is the undertaking of initiatives to describe actions, engagements, and decisions (Wood and Winston, 2007). The utilization of application of accountability standards such as ISO series and Sustainability Reporting Guidelines is an effective means of placing this duty in use due the fact that they impose on firms restrictions requiring standard guidelines that demand the fulfillment of relevant criteria.

Transparency, according to Faust and Svensson's 2001 definition, is the level of efficient information about control errors. While corporate transparency is seen as a cluster of characteristics of the operation that facilitates the process of understanding and analyzing firm-specific information for participants from outside the company (Bushman et al., 2004). Better strategic outcomes and an elevation in the credibility of the corporate social responsibility of the firm are the fruits of greater transparency according to Jensen (2002). By conducting business, businesses need to come up with action plans and strategies to fulfill the objective of transparency to promote and ensure public confidence in their products and services when it comes to quality, integrity, and effectiveness.

Undermining the sureness of consumers can lead to a greater pressure from the public for more transparency and more tangible evidence of ethical conduct. The scandals related to Enron and WorldCom are examples of such. For firms, the suitable level of transparency is an arrangement related to flexibility among other traits. (Chortaeas et al., 2002).

To become sustainable, companies must focus on competitiveness as it plays a crucial role in their survivability in the market. According to Price and Newson (2003), firms cannot basically provide quality of services or products, but they must also reveal the CSR management of their business. Through all-encompassing policies of social and environmental nature, global firms unveil their effective management (Snider et al.,

2003). These machinations improve the standing of the companies with their stakeholders and thus increase the reputation as a study conducted by Rindova et al. In 2005 shows.

While there may be no shared history between a specific supplier and a buyer, a positive reputation may indicate the supplier's goodwill and competency (Campbell, 1999).

According to Rindova et al. (2005), the reputation of an organization is essentially gathered from aggregated acknowledgment and reactivity that a firm has harvested in a specific field of business. On the other hand, stakeholders carefully take notice of the firm's behavior and form a perception of it over the length of time. As such, reputation is an important factor in reducing stakeholder uncertainty, and the buyers can make use of the supplier's reputation to base their trust on (Morgan and Hunt, 1994) and to evaluate the cost and benefit of their business with that exact supplier (Barone et al., 2004).

According to Sharma (2005) and Corbett et al. (2005), there is a positive correlation between the enhancement of competitiveness and the improved financial performance of the corporate.

According to a series of studies conducted in 2002 by Ledgard and Taylor and Waddock et al., stakeholders are found to be the primary force that is pushing business establishments towards corporate responsibility. Composing the CSR agenda takes a high strategic decision set of skills. As such, business managers need to consider in which section of CSR they ought to invest in (McWilliams and Siegel, 2001; Husted, 2003).

Bansal and Hunter (2003) explain that firms could use machinations to support their strategies to deliver a strong message about the establishment's commitment to responsibility. Interconnected internal and external systems are crucial to mitigate pressure on corporate responsibility. Developing internal responsibility management

systems can help the management set the grounds for corporate standards and codes of conduct that help guarantee the implementation of the aforementioned systems (Waddock, 2006). Such systems also grant the ability for firms to be at a minimum need to adhere to universally accepted standards of practice and norms yet externally, these systems give credibility (Bansal and Hunter, 2003; Waddock, 2006). Waddock et al. (2002) also explain that for public expectations to be encountered about CSR, a Total Responsibility Measurement (TRM) approach may be used. The TRM aids firms perceive the responses of the pressures. Terlaak and King (2006) claim that international standards could act as a credible signal of process quality control. Organizations nowadays need to turn on public issues with a greater proactive approach to reveal their responsibilities towards numerous stakeholders as they are encountered by social demands and expectations that are imposed externally.

2.1.14 The Relation between Corporate Social Responsibility and Corporate Governance

After the last decade, it was clear that the emphasis on CSR and CG practices increased exponentially in investor codes, companies' best practices, corporation law and different securities regulatory framework. During the last few years, the common institutional CG structure that has been used was slowly being replaced by a much newer institutional structure. This however did not stop the formation of inconsistencies and gaps from forming which mainly concerned CSR and stakeholder engagement. It is understood that CG is formed of both internal and external factors, which influence the management of firms. Most often, the leadership methods are found to perform a noteworthy role in socially accountable establishments (Shahin and Zairi, 2007). When viewing CG from a

practitioners point of view, we see that both structural and behavioral factors including responsibilities and actions towards stakeholders and shareholders alike. When looking to solving and the reduction of the conflict of interest among both the non-investing shareholders and the managers, companies tend to apply CSR engagement along with governance methods (Jo and Harjoto, 2011a). There are two perspectives of the association between CG and CSR such as: first, the role of different institutional environments and cultures; and second, studies that link governance and CSR endogenously; contrary, neither CSR nor CG are viewed as a static and independent phenomenon (Devinney et al., 2013). Depending on the legal system that each firm uses along with the characteristics of specific countries, we find the relationship between CSR and CG to vary in aspects pertaining to boards of directors, ownership parties and executive incentives (Filatotchev and Nakajima, 2014; Rao and Tilt, 2015). The inclusion of CSR into governance comprises of the economic environment, national governance system, regulation and soft law, shareholders, national culture, behavioral norms and industry impacts (Young and Thyil, 2014).

2.1.15 CSR, CG and External Environment

Most of the time, companies are much more liable to integrate CG and CSR disclosure practices when they release information of social and environmental content along with activities that focus on CSR internal issues (Kolk and Pinkse, 2010). It is clearly observed that when a company's CSR goes hand in hand with good CG practice, the resulting mixture is of positive nature. At the country level, a greater level of development may well allow and form pressures for better CSR practices, while it forces the improvement of CG (Claessens and Yurtoglu, 2012). Firms communicating CSR have the tendency to

be great manufacturing establishments in a relative rule-based societies (Li et al, 2010). When viewing factors that give significant driving force to CSR communications, it is clear that the country's governance environment is a major factor forcing companies to be persuaded into having stronger CG practices. It is believed that an effective corporate code that is socially responsible along with an effective CG structure, would lower the chance of incorrect actions because of the mere effect they would have on shareholders (Beltratti, 2005).

2.1.16 CSR, CG and Emerging Economies

The adoption process of CG framework has seen a steady rise in emerging economies, which mainly use the Anglo-American model. In developing countries, policy makers will need to strengthen their vigilance and capacity in the field of the regulation process and the judicial system when it comes to CG reforms. Further, to reinforcing organizational pressure, predominantly intimidating and normative in nature, hence, to improve CSR practices of firms (Jamali et al., 2008). When looking at the case of Russian bank employees and state-holding, a study suggested that stakeholders remain to have close to no significant involvement in the process of decision making when it comes to the majority of manufacturing companies. This in turn led to the state having the major role of offsetting dominant insider shareholders and, due to the institutional weakness, enforcing good corporate governance principles (Wright et al., 2003). Another example is Singapore, where the institutional environment has many difference from its western counter parts which makes for a weak market for corporate control which includes stock ownership and considerable ownership in many private sector companies (Mak and Li, 2001). Mauritius companies can largely be related to the concept of sovereign

governance, with a minimalist board, a substantive change in the type of board accountability and encourages board interactions (Soobaroyen and Mahadeo, 2012). Ordinarily a lower level of compliance requirements, with reporting on risk, shows a more past view rather than the more future view that could come from qualitative risk disclosure. Therefore, the key determinants of risk reporting revolve around competition, board size, role duties and ownership concentration as the study revealed (Mokhtar and Mellett, 2013). The government initiatives in encouraging CSR among government firms through the overview of the Silver Book in 2006 had an optimistic impact on CSR disclosure in the annual reports (Esa and Ghazali, 2010). When boards are mainly of Malaysian directors, an association is made between corporate social disclosures. While on the other hand, boards dominated by executive directors who are chairs with multiple directorships and foreign share ownerships tend to also confirm significant corporate social disclosures (Haniffa and Cooke, 2005). The variable of corporate governance has direct positive effects on CSR activities and on social performance especially in the case of China (Lau et al., 2014; Lu, et al., 2015). In the Indian context various ownership structures are present such as: family, government, professional and multinational companies. Some changes that have occurred in the principles have resulted in the transformation of the institutional and legislative system that significantly differs from the forms of business ownership, which have emerged lately (Gollakota and Gupta, 2006). There are increasing concerns in the new global economic order and the salience of the primary stakeholder groups that drive companies to implement CSR policies of elements such as labor, community relations, environment, customer safety, supply chain, and corporate governance. (Mishra and Suar, 2010).

2.1.17 CG, CSR & Stakeholder

Stakeholder friendly policies and business practices can be more associated with CG nowadays (Gill, 2008). By creating value-creating relationships with all stakeholders, good CG provides the fundamentals of good CSR (Welford, 2007). The stakeholder theory is a functional instrument for gathering and appraising CSR data and demonstrates that the stakeholder awareness of CSR performance creates corporate initiatives to a certain target (Kansal and Joshi, 2014). While being complementary tools, the relationship between CSR and CG is used by most of the firms to improve and increase the standing relationship with stakeholders. The controllers may push on CG quality as a way of growing CSR exposes (Chen et al., 2014). The different level of external influences consists of the institutional and stakeholder pressures which companies adopt while building a CSR strategy (Lee, 2011). The paper drives seven areas: environment, community, CG, diversity, employee relations, human rights, and product quality and CSR initiatives have a higher stimulus on the firm performance and stakeholder appetite (Michelon, 2013). As is the case when looking at the liability of the board of directors when they formulate and monitor the company's communication strategies and that same management is responsible for the implementation (Gaa, 2009). The directors can help to govern the interest of stakeholders and support with the protection of the firm as stakeholders themselves in society (Hung, 2011). When the board of directors in a firm is diverse, it directly correlates with the enhancement of CSR performance within the company by providing consumer-oriented products and with other companies operating in a competitive environment (Harjoto et al., 2014). Applying stakeholder theory, there are projecting indicators that have led to escalating the effect and the impact of the

stakeholders' demands on the firm and in the response of which, a firm's corporate social performance, which will have more comprehensiveness (Brower and Mahajan, 2013).

Despite previous research, Park et al (2014), new research has found that business collaborators would have negative and considerable influence on multi-national companies CSR activities. The result shows that both the main stakeholders, which are consumers, 'internal managers and employees' and business collaborators and secondary stakeholders, which are governments, media, local community and NGOs positively touch MNEs' CSR. Most of the time stakeholders seem not to understand what CSR means and which poses a concern. Thus, the Western manager can play a vital role in the improvement of CG and CSR practice in the case of Russian companies (McCarthy and Puffer, 2008). At the same time a study was made on stakeholders across the new markets of the Middle East and Africa (MEA). Three multinational companies which consist of four nationality groups i.e. MENA, Western expatriate, Asia and the Sub-Saharan, indicating that a complete definition is needed to be developed and communicated back to stakeholders which enhance the understanding of the company's specific CSR strategy (Munro, 2013). A Chinese study on 143 firms showed that the different market orientations are one of the biggest predictors of CSR, which are then, followed by government regulation that indicates that CSR is made up of two divisions, market forces and government actions (Lu, 2007). It is found that CSR and environmental disclosures have a direct relationship with a firm's size, industry classification, and profitability. Various stakeholders' responsibilities that have an effect on environmental disclosures and corporate social disclosures, are seen to be weak in China (Lu and Abeysekera, 2014).

2.1.18 CSR, CG & Ownership

Structures that have fewer CSR concerns and mainly the family and founder owned firms, which means that the distinguishing between family and founder companies has to be done when analyzing CSR in large firms especially on ownership and management dimensions (Block and Wagner, 2014). In emerging markets, the ownership structure affects CSR. The result of the Chinese companies' responsibility ranking for mostly non-state owned firms showed that there is a positive relationship between corporate ownership dispersion and CSR (Li and Zhang, 2010). The connection between CG, family ownership, and performance is specifically verified among the agency, stewardship, and contingency theory that are appropriate for Italian family firms. The board independence normally directly correlates with lower investments at IPO, in front of the more common venture capitalists that establish large and active boards (Giovannini, 2010). In the larger publicly traded firms, managerial ownership normally considerably lessens principal–agent conflicts, even in the existence of already set agency limitation mechanisms (Singh et al., 2003). The company ownership structure is unchanged by both compliance on agency costs and the voluntary governance of firms; the results have a wide range of impact on firms in Australia and even the global perspective (Henry, 2010). The connotation among the levels of ownership shares of director and the CSR performances, are specified in five sub-dimensions a negative association of the managerial ownership with employee relationships, a negative relation to the variety scopes, and an inconsequential influence on the public, environment, and product dimensions (Paek et al., 2013). When a firm increases the ownership of the board, the effect becomes a reducing one for agency costs. Agency cost and role of board

size have a negative association with leverage in large companies. McKnight and Wier (2008) raised a few concerns about information that is sent to shareholders and how useful they prove to be when companies adopt a governance structure. Ownership structure and owner influence factors such as restructuring, activism, buy-and-hold, performance, strategy and governance process (Connelly, 2010). The agency theory, in the case of China as an emerging country, brings other factors that have to be taken into account. Additional classifications are given to owners indicates that while shares bought by the state would impact CG negatively. However, a domestic buy in by institutions and managerial shareholdings will improve a firm's performance (Chen, 2001). A solution to state-owned enterprise would be a swift restructuring to develop CG which proved to improve the efficiency of companies, even though there would not be an ownership transfer or limits in terms it continues to shadow the effect on inefficiency in China (Su and He, 2012). A clear difference is seen in the corporate disclosure quality when the company has higher control rights within China. Therefore, when comparing companies owned by individuals to those controlled by the state, we find that the corporate disclosure is of lesser quality (Liu and Sun, 2010). Also, we find that in cases of fraud, the implications to the ownership structure along with that of the board tend to have a more suitable CG system as in the case of listed firms (Chen et al., 2006). After the Asian financial crisis of 1997 to improve corporate transparency and accountability did not affect corporate performance (Ghazali, 2010). Some evidence indicates that the connection between concentrated ownership, report lags, and listed firms tend to accept the appropriateness of price discovery in Malaysia while the companies that held the highest shareholder base to the government has demonstrated a delay in reporting (Lim et

al., 2014). In another study, it was found that in the case of Malaysia government ownership and audit committee play a significantly connected role that is positive when it comes to the level of CSR disclosure (Said et al., 2009). Corporate governance effectiveness is very imperative when looking at accountability of governments. It increase independence of the board, restrict hands of controlling shareholders, set up independent directors that are controlled by subcommittees, reform the supervisory board, and support the interests of both shareholders in the company and the managers of the firms (Wie and Geng, 2008).

2.1.19 The Relation between Corporate Social Responsibility and Financial Performance

Corporate social responsibility (CSR) is a significant matter in modern international discussions. CSR appears to have become more global in the last two decades and is perceived, to corporations all over the world, as relevant (Aras and Crowther, 2008a). Also, the connection among business performance and CSR has adapted an unquestionable nature. Much of the previous research has been done on CSR deals with the problems that firms face in the development standards for management and reporting such unclassified activities. The way that CSR is often looked at, that the contrast between CSR activities and financial performance do exists, which proves problematic with each one being harmful to the other especially with taking firms determined on pursuing a value to shareholders. Moreover, a definition of what exactly institutes CSR has not been agreed on yet (Ortiz Martinez and Crowther, 2005) and consequently no agreement upon the basis for evaluating that activity and linking it to the numerous measurements of corporate performance. Howard Bowen's social responsibility of

business (Bowen, 1953) is pointed at by academics and practitioners as the first recorded attempt to examine and analyze the connection between firms and society (for example, Carroll, 1979; Preston, 1975; Wartick and Cochran, 1985). Most of the work that was conducted by both practitioners and scholars during the 1970's focused on how CSR is applied in businesses and the social environment. Fitch (1976) studied in depth the best procedure for the firm that desires to become socially responsible. Applied behavior analysis is used in Fitch's work as a way of social problem solution. Murray (1976) focused on commercial banking and the industries social response process to understand how banks differently respond to social pressure. Through the years, many empirical and theoretical debates have been taking place about the relationship between corporate social performances along with a firm's financial performance (see for example Aras and Crowther, 2007). One hundred twenty-seven published studies address the relationship between CSR and financial performance between 1972 and 2002 and each one has different measurement methods (Margolis and Walsh, 2003). Two types of financial performance measures used in the studies to find the link between diverse aspects of firm performance and CSR. The first of the two is based on accounting through the understanding of the financial performance, but this has certain drawbacks. The main problem is that this measure only measures the historical performance of the firm and can mainly be affected by manipulations from managers and could produce outstanding results between organizations and that is because of the different accounting ways some firms apply. When using accounting-based measures, the characteristics of diverse sectors along with the risk associated with them should be taken into consideration. Stock-market-based measures can be used to deal with the shortcomings to evaluate a

firm's financial performance. The second type of measure is less associated with the businesses varying accounting measures and on managerial manipulation. Also, it is successful in finding the future economic earnings of firms rather than the past one. Even with this positive side, the shortcomings of this method is about the investors perception of the company may not be enough to show the financial performance (McGuire et al., 1988; Ullmann, 1985). One of the studies that investigated this relationship from the perspective of environmental management practices (EMPs) is that of Montabon et al. (2007). An empirical study was conducted to investigate the link between EMPs and financial performance. They found a positive relationship between firm's performance and EMPs as a result of the application of content analysis methodology that was undertaken on 45 corporate reports (Montabon et al., 2007). While another study was done by Orlitzky et al. (2003), which found that, there is a strong correlation between CFP and corporate environmental/ social performance. The relationship is much stronger for the accounting based measures of performance than the market-based measures of performance (Orlitzky et al., 2003). In the work of Becchetti et al. (2005) with a sample of 1000 firms over a time of 13 years, it found that the sales were higher while return on equity was lower when looking at the levels per employee when R&D investing firms were not in the sample and also more socially responsible companies had lower returns on capital invested. Generally, it is expected to have a relationship of a positive attribute between CSR and financial performance, and this is in accordance to the thoughts of both stakeholders and agency theory. On the other hand, a very essential point that concerns stakeholders when thinking of developing and emerging economies in financial performance. When investing in emerging markets, investors are easily able to get excess

returns and therefore end up not caring about sustainability and CR in the long term. Therefore, it is unclear how to find the link between financial performance and CSR. The second point is about how CSR and financial performance are measured. Three foremost methods are used mainly with prior studies for measurement of CSR normally (McGuire et al., 1988). The expert evaluation of corporate policies is the first method. The success of this technique and its accuracy depends crucially on how much access the investigators could get a full scope of the activities and the expertise of the firm (Abbott and Monsen, 1979). The content analysis of annual reports is the second methods along with other corporate documents. Weber (1990) “a set of procedures to make valid inferences from the text” is the definition of content analysis. Krippendorff (2004, p.18) states “content analysis is a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use”. Compared to other methods, content analysis has important advantages. After the variables that are to be used are picked, the method proves to be substantially objective and also allows the tester to use a much larger sample size. As is the case with other methods, this method has some disadvantages. The results of the method depend on the subjectivity of the selection variables where the firms normally choose the best variables and best annual reports, which creates a major drawback (Cochran and Wood, 1984). The third method for measurement of CSR is when the performance of companies in controlling pollution as a proxy measure (McGuire et al., 1988). Chen and Metcalf (1980) and Spicer (1978) used pollution control in their studies for the measurement of CSR. The drawback with this method is that this measure only concentrates on one variable of social responsibility and does not compensate for the difference in pollution from different industries. Different

results are produced from all the different methods. Data collection and reliability is the last point of CSR and financial performance measurement. As it is seen in the previous methods, most of the CSR data is totally reliant on the firms reporting process on activities that they can manipulate and misreport. Therefore, the collection and reliability of data testing are always problematic in such studies. Some other studies concentrate about exploring the link between a company's size and CSR. Udayasankar (2008) found a U-shaped link among firm size and CSR participation with extremely small and extremely big corporations being similarly interested to engage in CSR with medium-sized firms having the lowest interest. Udayasankar made a conclusion about the firms that were researched that the characteristics should always consider when researching CSR context. Through a study made by Perrini et al. (2007), it was found that SMEs had participated less in environmental management than larger firms. The study investigates and examines the link between CSR and financial performance in businesses, which are based in developing countries through using the Turkish public companies as a test subject. Some of the problems rise from the lagging between different periods for CSR and financial performance. This study builds upon the idea that a relationship between firm size, profitability, risk level and CSR may exist. The relationship between performance management and CSR is shown as a very necessary study. The paper is therefore established through a clarification and validation of the data gathered and analysis undertaken, and then continues with the outcomes and a debate of their significance while concluding the concern of the consequences.

2.2 Hypothesis

- Hypothesis 1: Corporate Governance is positively related to Financial

Performance.

- Hypothesis 2: Corporate Governance is positively related to Corporate Social Responsibility.
- Hypothesis 3: Corporate Social Responsibility is positively related to Financial Performance.
- Hypothesis 4: Corporate Social Responsibility has a mediating effect on the relationship between Corporate Governance and Financial Performance.

Based on the above literature, the following conceptual model is developed:

Fig 1: Conceptual Model

Chapter III

METHODOLOGY

In this section, the methodology of this research is presented. It consists of the definition of variables, measurement techniques, sample, data collection, and statistical methods.

3.1 Definition of Variables

The measured variables were attained from the preceding indicated hypotheses. These variables were as well specified in the questionnaire; therefore, the gathered statistics would be significant to complete the research. The measured variables are the mechanisms of corporate governance: Transparency, level of ownership, and structure of board of directors; corporate social responsibility: social and non-social stakeholders, employees, customers, and government; and corporate financial performance: current performance and change in performance

The Independent Variables: Board of Directors, social stakeholders, non-social stakeholders, employees, customers, and government

The Dependent Variable: Transparency, level of ownership, current performance, change in performance, board diversity, independent board members, employees work life balance, customer satisfaction, taxes, legal regulations, market share, profit margin, and growth

To conclude the data analysis, scores were constructed to measure the Corporate Governance Effectiveness score (CGES), Corporate social responsibility involvement score (CSRIS), corporate financial performance score (CFPS). These scores were

obtained from the set of questions related to corporate governance, corporate social responsibility, and corporate financial performance components. In addition to the overall effectiveness and the relationship among these three factors.

The scores are conducted as follows:

Part I: Questions associated with the Corporate Governance mechanisms effectiveness:

CGES, which is the amount of the corporate governance mechanisms set of questions.

These mechanisms include Transparency, the level of ownership, the structure of the board of directors, and Audit Committee (El Kassar, Messara, and El Gammal, 2014). 5-point scale: “strongly disagree” to “strongly agree.”

Transparency:

- TRN1. Financial results
- TRN2. Objectives of the company
- TRN3. Accounting evaluations
- TRN4. Related party transactions: elements and nature
- TRN5. Related party transactions: practices and disclosure (under control)
- TRN6. Board’s duties and financial communications
- TRN7. Extraordinary transactions regulations
- TRN8. Alternative accounting decisions: impact and analysis
- TRN9. The process for decision making and approval of transactions with related parties Part

Level of Ownership:

- OWN1. Structure of ownership

- OWN2. Control organization
- OWN3. Control and equity stake
- OWN4. Control privileges
- OWN5. Existence of meeting agenda
- OWN6. Procedures for holding annual meetings
- OWN7. Shareholders diversity? Variations
- OWN8. Actions for Anti-Takeovers
- OWN9. Regulations that cover and guide the corporate control

Board of Directors:

- BRD1. Structure and goals of risk management
- BRD2. Board of Director's structure: non-executives versus executive
- BRD3. Information about board members such as qualifications and biographical information
- BRD4. Responsibilities and positions of outside board members
- BRD5. Position held by the executives and the number of outside board members
- BRD6. Checks and balances instruments
- BRD7. Presence of a succession plan
- BRD8. Conflict of interest prevention through committees and governance procedures
- BRD9. Governance committee composition and main task
- BRD10. Board of directors: function and role
- BRD11. Length of contracts for directors
- BRD12. Composition of the remuneration of directors and its determinants

- BRD13. Number of independent board members
- BRD14. Professional activities for training and development
- BRD15. Reimbursement plan for senior managers in special cases such as merger and acquisition
- BRD16. Presence of procedures covering conflicts of interest among board members
- BRD17. Existence of advisors during reporting period
- BRD18. Process for evaluating performance
- BRD19. Management and board members' material interests

Audit Committee

- ADT1. Procedures governing collaboration with external auditors
- ADT2. Procedures and responsibilities for appointing internal auditors
- ADT3. Reliability of external auditors and board's confidence
- ADT4. Procedures governing collaboration with internal auditors
- ADT5. Decision-making procedure for appointing external auditors
- ADT6. Internal control systems
- ADT7. Period of auditor contracts
- ADT8. Audit partner rotation process
- ADT9. The remuneration of auditors and involvement in non-audit work

Part II: Questions related to Corporate social responsibility involvement score (CSRIS)

which is the sum of the following set of questions (Turker D, 2009). 5-point scale:

“strongly disagree” to “strongly agree.”

CSR to social and non-social stakeholders

- CSRSTK1. Our company participates in the activities which aim to protect and improve the quality of the natural environment
- CSRSTK2. Our company makes investment to create a better life for the future generations
- CSRSTK3. Our company implements special programs to minimize its negative impact on the natural environment
- CSRSTK4. Our company targets a sustainable growth which considers to the future generations
- CSRSTK5. Our company supports the non-governmental organizations working in the problematic areas
- CSRSTK6. Our company contributes to the campaigns and projects that promote the well-being of the society

CSR to employees

- CSREMP1. Our company encourages its employees to participate to the voluntary activities
- CSREMP2. Our company policies encourage the employees to develop their skills and careers
- CSREMP3. The management of our company primarily concerns with employees' needs and wants
- CSREMP4. Our company implements flexible policies to provide a good work and life balance for its employees
- CSREMP5. The managerial decisions related with the employees are usually fair
- CSREMP6. Our company supports employees who want to acquire additional

education

CSR to customers

- CSRCUS1. Our company protects consumer rights beyond the legal requirements
- CSRCUS2. Our company provides full and accurate information about its products to its customers
- CSRCUS3. Customer satisfaction is highly important for our company

CSR to government

- CSRGOV1. Our company always pays its taxes on a regular and continuing basis
- CSRGOV2. Our company complies with the legal regulations completely and promptly

Part III: Questions related corporate financial performance score (CFPS) which is the sum of the following set of questions (El Kassar, Messara, and El Gammal, 2014). 1 for poor, 2 for fair, 3 for good, 4 for very good and 5 for excellent.

Current Performance:

- Pref1. Growth in sales
- Pref2. Growth in market share
- Pref3. Growth in employees
- Pref4. Growth in profitability
- Pref5. Profit margin on sales
- Pref6. The ability to fund growth from profits

Change in Performance compared to last year: (5-point scale “much worse” to “Higher than”)

- ChgPref1. Growth in sales

- ChgPref2. Growth in market share
- ChgPref3. Growth in employees
- ChgPref4. Growth in profitability
- ChgPref5. Profit margin on sales
- ChgPref6. The ability to fund growth from profits

3.2 Measurement Techniques

The questionnaire was divided into four segments. The first segment contains the demographical data of the respondent (gender, age, degree level, specialization, years of experience, and professional certificate). The second segment contains the effectiveness of the components of corporate governance. The third segment contains the involvement in corporate social responsibility. The fourth segment contains corporate financial performance.

The questionnaire was aimed to take about a maximum of 7 minutes from the respondent's time, therefore increasing the number of participants and decreasing decliners.

3.3 Sample

The appropriate selection was used in this study. First, secondary data was acquired from the previous questionnaire used. The objective selection was the working population, generally the age group of 21 and above working in different levels (operational, middle to top management) and departments, such as accounting/auditing department, business administration department, financial department, etc. The selection also included the shareholders from small investors to block holders.

Data were collected using convenience selection and were added to this research. Out of 200 questionnaires distributed, 123 finished the questionnaire. The respondents included 25 shareholders, four audit firm, 20 banks, five universities, seven insurance companies, and five software companies. Therefore, the selection used to conduct the research involves of a total of 123 respondents.

3.4 Data Collection

The data collection method was quantitative. A convenient sampling was used, most of the respondents were LAU Alumni, graduates, and students. All the respondents had knowledge of the topic. Some respondents were first contacted through phone calls to get their private emails. Then the survey was sent by email to the selected candidates. The candidates were followed up so that the maximum number of respondents can be targeted. Other respondents distributed the survey among colleagues at work who were familiar with the topic.

3.5 Statistical Methods

To analyze the data SPSS statistical program was used, to classify the association between the independent and dependent variables. Correlation based analysis was used to identify the relationship among each corporate governance, corporate social responsibility, and corporate financial performance mechanisms and the relationship among them. Also, PLS-SEM method using the SmartPLS 3 software was used to distinguish the relationships of the components on each of corporate governance, corporate social responsibility, and corporate financial performance.

3.5.1 Demographics

1- Company size

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 to 9	14	11.4	11.4	11.4
10 to 19	13	10.6	10.6	22.0
20 to 50	16	13.0	13.0	35.0
More than 50	80	65.0	65.0	100.0
Total	123	100.0	100.0	

2- Board size

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 to 4	25	20.3	20.3	20.3
5 to 10	64	52.0	52.0	72.4
More than 10	34	27.6	27.6	100.0
Total	123	100.0	100.0	

3- Number of Meetings of the directors

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 to 3	47	38.2	38.2	38.2
4 to 6	37	30.1	30.1	68.3
More than 6	39	31.7	31.7	100.0
Total	123	100.0	100.0	

4- CEO Compensation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than \$100,000	16	13.0	13.0	13.0
\$100,000 to \$150,000	37	30.1	30.1	43.1
\$150,000 to \$250,000	24	19.5	19.5	62.6
More than \$250,000	46	37.4	37.4	100.0
Total	123	100.0	100.0	

5- Family in the Board

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	78	63.4	63.4	63.4
	No	45	36.6	36.6	43.9
	Total	123	100.0	100.0	

6- Decisions By Family Members

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	28	22.8	22.8	22.8
	Sometimes	95	77.2	77.2	100.0
	Total	123	100.0	100.0	

7- Sales

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than \$100,000	12	9.8	9.8	9.8
	\$100,000 to \$500,000	29	23.6	23.6	33.3
	\$500,000 to \$1,000,000	16	13.0	13.0	46.3
	More than \$1,000,000	66	53.7	53.7	100.0
	Total	123	100.0	100.0	

8- Change in sales

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Decreased Significantly	5	4.1	4.1	4.1
	Decreased Slightly	8	6.5	6.5	10.6
	No Change	15	12.2	12.2	22.8
	Increased Slightly	51	41.5	41.5	64.2
	Increased Significantly	44	35.8	35.8	100.0
	Total	123	100.0	100.0	

9- Debt

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 25%	33	26.8	26.8	26.8
	25% to 50%	73	59.3	59.3	86.2
	More than 50%	17	13.8	13.8	100.0
	Total	123	100.0	100.0	

10- Qualifications

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Degree	16	13.0	13.0	13.0
	University Degree	107	87.0	87.0	100.0
	Total	123	100.0	100.0	

11- Specialization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accounting & Auditing	50	40.7	40.7	40.7
	Banking & Finance	24	19.5	19.5	60.2
	Business Administration	36	29.3	29.3	89.4
	Other	13	10.6	10.6	100.0
	Total	123	100.0	100.0	

12- Years of Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5	29	23.6	23.6	23.6
	5 to 10	46	37.4	37.4	61.0
	More than 10	48	39.0	39.0	100.0
	Total	123	100.0	100.0	

13- Certifications

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	CA	9	7.3	7.3	7.3
	CPA	50	40.7	40.7	48.0
	CIA	10	8.1	8.1	56.1
	Other	23	18.7	18.7	74.8
	None	31	25.2	25.2	100.0
	Total	123	100.0	100.0	

3.5.2 Factor Analysis

The various components of corporate governance and CSR were factors analyzed to confirm the uni-dimensionality of the components. In each case, a single score representing the component was obtained. The scores were later used as the indicators for CG and CSR. Similarly, the two performance category measures were factor analyzed, and a score for each category was obtained. The results of the factor analysis are as following tables:

14- Transparency Communalities

	Initial	Extraction
TRS1	1.000	.661
TRS2	1.000	.734
TRS3	1.000	.593
TRS4	1.000	.493
TRS6	1.000	.610
TRS7	1.000	.482
TRS8	1.000	.681
TRS9	1.000	.625

Extraction Method: Principal Component Analysis.

15- Transparency Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.879	60.989	60.989	4.879	60.989	60.989
2	.930	11.621	72.611			
3	.799	9.983	82.594			
4	.527	6.582	89.176			
5	.313	3.910	93.086			
6	.242	3.029	96.116			
7	.194	2.424	98.540			
8	.117	1.460	100.000			

Extraction Method: Principal Component Analysis.

16- Transparency Component Matrix^a

	Component
	1
TRS1	.813
TRS2	.857
TRS3	.770
TRS4	.702
TRS6	.781
TRS7	.694
TRS8	.825
TRS9	.790

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

17- Ownership Communalities

	Initial	Extraction
OWN1	1.000	.598
OWN2	1.000	.693
OWN3	1.000	.792
OWN4	1.000	.825
OWN5	1.000	.485
OWN6	1.000	.604

Extraction Method: Principal Component Analysis.

18- Ownership Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.996	66.602	66.602	3.996	66.602	66.602
2	.727	12.122	78.725			
3	.578	9.629	88.353			
4	.387	6.457	94.810			
5	.179	2.984	97.795			
6	.132	2.205	100.000			

Extraction Method: Principal Component Analysis.

19- Ownership Component Matrix^a

	Component
	1
OWN1	.774
OWN2	.832
OWN3	.890
OWN4	.908
OWN5	.696
OWN6	.777

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

20- Board of Directors Communalities

	Initial	Extraction
BRD5	1.000	.510
BRD6	1.000	.574
BRD7	1.000	.478
BRD8	1.000	.581
BRD9	1.000	.584
BRD12	1.000	.470
BRD16	1.000	.528
BRD17	1.000	.468
BRD18	1.000	.500
BRD19	1.000	.587

Extraction Method: Principal Component Analysis.

21- Board of Directors Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.281	52.813	52.813	5.281	52.813	52.813
2	.943	9.428	62.241			
3	.890	8.904	71.146			
4	.790	7.903	79.049			
5	.560	5.601	84.650			
6	.432	4.322	88.972			
7	.413	4.129	93.101			
8	.325	3.249	96.350			
9	.191	1.907	98.257			
10	.174	1.743	100.000			

Extraction Method: Principal Component Analysis.

22- Board of Directors Component Matrix^a

	Component
	1
BRD5	.714
BRD6	.758
BRD7	.691
BRD8	.762
BRD9	.764
BRD12	.686
BRD16	.727
BRD17	.684
BRD18	.707
BRD19	.766

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

23- Attended Meetings Communalities

	Initial	Extraction
ADT1	1.000	.538
ADT2	1.000	.600
ADT3	1.000	.684
ADT4	1.000	.574
ADT5	1.000	.667
ADT6	1.000	.636
ADT7	1.000	.425
ADT8	1.000	.414

Extraction Method: Principal Component Analysis.

24- Attended Meetings Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.537	56.714	56.714	4.537	56.714	56.714
2	1.245	15.558	72.272			
3	.913	11.408	83.680			
4	.452	5.645	89.325			
5	.308	3.848	93.174			
6	.227	2.832	96.006			
7	.217	2.716	98.722			
8	.102	1.278	100.000			

Extraction Method: Principal Component Analysis.

25- Attended Meetings Component Matrix^a

	Component
	1
ADT1	.724
ADT2	.774
ADT3	.827
ADT4	.758
ADT5	.817
ADT6	.797
ADT7	.652
ADT8	.644

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

26- Social to Non Social Communalities

	Initial	Extraction
CSRSTK1	1.000	.608
CSRSTK2	1.000	.571
CSRSTK3	1.000	.637
CSRSTK4	1.000	.655
CSRSTK6	1.000	.516

Extraction Method: Principal Component Analysis.

27- Social to Non Social Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.987	59.747	59.747	2.987	59.747	59.747
2	.644	12.871	72.618			
3	.577	11.532	84.150			
4	.476	9.520	93.670			
5	.316	6.330	100.000			

Extraction Method: Principal Component Analysis.

28- Social to Non Social Component Matrix^a

	Component
	1
CSRSTK1	.780
CSRSTK2	.756
CSRSTK3	.798
CSRSTK4	.810
CSRSTK6	.718

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

29- Employee Communalities

	Initial	Extraction
CSREMP1	1.000	.474
CSREMP2	1.000	.581
CSREMP6	1.000	.582

Extraction Method: Principal Component Analysis.

30- Employee Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.637	54.562	54.562	1.637	54.562	54.562
2	.740	24.679	79.241			
3	.623	20.759	100.000			

Extraction Method: Principal Component Analysis.

31- Employee Component Matrix^a

	Component
	1
CSREMP1	.689
CSREMP2	.762
CSREMP6	.763

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

32- Customers Communalities

	Initial	Extraction
CSRCST1	1.000	.584
CSRCST2	1.000	.674
CSRCST3	1.000	.632

Extraction Method: Principal Component Analysis.

33- Customers Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.890	62.990	62.990	1.890	62.990	62.990
2	.611	20.354	83.344			
3	.500	16.656	100.000			

Extraction Method: Principal Component Analysis.

34- Customers Component Matrix^a

	Component
	1
CSRCST1	.764
CSRCST2	.821
CSRCST3	.795

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

35- Performance Communalities

	Initial	Extraction
Perf1	1.000	.696
Perf2	1.000	.704
Perf3	1.000	.655
Perf4	1.000	.833
Perf5	1.000	.649
Perf6	1.000	.805

Extraction Method: Principal Component Analysis.

36- Performance Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.342	72.368	72.368	4.342	72.368	72.368
2	.540	9.006	81.374			
3	.393	6.545	87.918			
4	.338	5.636	93.555			
5	.234	3.899	97.454			
6	.153	2.546	100.000			

Extraction Method: Principal Component Analysis.

37- Performance Component Matrix^a

	Component
	1
Perf1	.834
Perf2	.839
Perf3	.809
Perf4	.913
Perf5	.806
Perf6	.897

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

38- Change in Performance Communalities

	Initial	Extraction
ChgPerf1	1.000	.680
ChgPerf2	1.000	.596
ChgPerf3	1.000	.383
ChgPerf4	1.000	.682
ChgPerf5	1.000	.675
ChgPerf6	1.000	.607

Extraction Method: Principal Component Analysis.

39- Change in Performance Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.624	60.398	60.398	3.624	60.398	60.398
2	.834	13.892	74.291			
3	.593	9.881	84.171			
4	.416	6.935	91.106			
5	.312	5.205	96.311			
6	.221	3.689	100.000			

Extraction Method: Principal Component Analysis.

40- Change in Performance Component Matrix^a

	Component
	1
ChgPerf1	.825
ChgPerf2	.772
ChgPerf3	.619
ChgPerf4	.826
ChgPerf5	.822
ChgPerf6	.779

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Summarizing the results of the confirmatory factor analysis 8 out of 9 transparency components were used to construct a single score for this latent variable, and the loading factor ranged from 0.694 to 0.859. This score has an extraction sum of square loading of 60.99%.

Similarly for the other components of CG, CSR, and CFP:

Score	Item	Loading Range	Extraction Sums of Squared Loadings
TRS	TRS1, TRS2, TRS3, TRS4, TRS6, TRS7, TRS8, TRS9	0.694 – 0.825	60.99%
OWN	OWN1, OWN2, OWN3, OWN4, OWN5, OWN6	0.696 – 0.908	66.602%
BRD	BRD5, BRD6,, BRD7, BRD8, BRD9, BRD12, BRD16, BRD17, BRD18, BRD19	0.686 – 0.766	52.813%
ADT	ADT1, ADT2, ADT3, ADT4, ADT5, ADT6, ADT7, ADT8	0.644 – 0.827	56.714%
CSRSTK	CSRSTK1, CSRSTK2, CSRSTK3, CSRSTK4, CSRSTK6	0.718 – 0.810	59.747%
CSREMP	CSREMP1, CSREMP2, CSREMP6	0.689 – 0.763	54.562%
CSRCST	CSRCST1, CSRCST2, CSRCST3	0.764 – 0.821	62.990%
Perf	Perf1, Perf2, Perf3, Perf4, Perf5, Perf6	0.806 – 0.913	72.368%
ChgPerf	ChgPerf 1, ChgPerf 2, ChgPerf 3, ChgPerf 4, ChgPerf 5, ChgPerf 6	0.619 – 0.826	60.398%

3.5.3 Structural Model

Using the scores obtained from the Confirmatory Factor Analysis, the conceptual model of Figure 1 was tested. The four CG scores, TRS, OWN, BRD, and ADT, were used as the indicators for the latent variable CG. Similarly, the scores STK, EMP, and CUS were used as the indicators for the latent variable CSR. Finally, the two performance scores

PRF and CHG were the two indicators of the financial performance. Figure 2 depicts the PLS-SEM results.

Figure 2: Structural Model

The model was checked for reliability and the validity. The outer loadings of the model, shown in the table below, indicate that model is valid since all loading factors are above the minimum level of 0.7.

41- Outer Loadings

	CG	CSR	PRFM
ADT	0.796		
BRD	0.776		
CHG			0.880
CUS		0.762	
EMP		0.707	
OWN	0.833		
PRF			0.883
STK		0.788	
TRS	0.758		

Reliability is established from the fact that most of the composite reliability and Cronbach's alpha values are above 0.7.

42- Composite Reliability

	Composite Reliability	Cronbach's Alpha
CG	0.870	0.801
CSR	0.797	0.622
PRFM	0.875	0.714

The bootstrap method with $n = 5000$ was applied to determine the significance of the path coefficients. The direct effect results are shown in the table below.

43- Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
CG → CSR	0.873	0.878	0.019	45.291	0.000
CG → PRFM	0.510	0.540	0.141	3.623	0.000
CSR → PRFM	0.468	0.440	0.129	3.618	0.000

44- Confidence Intervals

	Original Sample (O)	Sample Mean (M)	2.5%	97.5%
CG → CSR	0.873	0.878	0.839	0.915
CG → PRFM	0.510	0.540	0.289	0.781
CSR → PRFM	0.468	0.440	0.214	0.671

Both the p-value results (all below 0.05) and the confidence interval results (none includes a zero) indicate that all three paths have positive significant coefficients. This provide evidence to support hypotheses H1, H2, and H3.

The indirect effect and the total effect results obtained from the original model and bootstrapping are shown in the table below.

45- Indirect Effects

Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
CG → CSR					
CG → PRFM	0.409	0.386	0.113	3.620	0.000
CSR → PRFM					

46- Total Effects

Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
CG → CSR	0.873	0.878	0.019	45.291	0.000
CG → PRFM	0.919	0.926	0.031	30.035	0.000
CSR → PRFM	0.468	0.440	0.129	3.618	0.000

The above results show that there is an indirect effect between CG and financial performance through CSR. This support hypothesis H4. Hence, the relationship between CG and financial performance is partially mediated by CRS.

Chapter IV

ANALYSIS AND DISCUSSION

Corporations have concentrated their efforts on the board of directors' practices and measures to achieve the most substantial effectiveness. These practices were implemented to decrease the riskiness of a firm's stock returns and therefore ensuing higher returns to shareholders. These measures also focus on the financial performance of how the company's earnings respond to diverse managerial policies. On the other hand, there have been rising pressures on corporations that are practicing corporate social responsibility (CSR). Debates have been discussed on whether or not corporations that are actively involved in CSR will operate and perform better than other corporations which do not exhibit similar levels of social practices. This raises the question if improvement in financial performance can be a result of CSR practices implemented by the firm and its board members. This study examined the association among Corporate Governance (CG) and financial performance, and it will also explore the possible mediating effect of Corporate Social Responsibility (CSR) on the aforementioned relationship. Empirical evidence of this quantitative study will be provided from the analysis of data collected through a self-administered questionnaire distributed to managers of companies operating in Lebanon.

Using survey data collected from a sample of 123 employees working in various companies in Lebanon, the conceptual model was tested. Confirmatory factor analysis was used to construct scores for each CG and CSR component as well as scores for the performance measures. These scores were used to test the conceptual model by applying PLS-SEM using SmartPLS3. After checking the model for reliability and the validity, the bootstrap method was implemented to determine the significance of the path coefficients.

The direct effect results are showed that all three paths have positive significant coefficients; hence, providing evidence to support hypotheses H1, H2, and H3.

The indirect effect and the total effect results obtained from the original model and bootstrapping also showed that there is a significant indirect effect between CG and financial performance through CSR; thus providing evidence to support hypothesis H4. Hence, the relationship between CG and financial performance is partially mediated by CRS.

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Appendix “A”

Agreement to participate in a Survey/Questionnaire “The Mediating Effect of Corporate Social Responsibility on the Relationship between Corporate Governance and Financial Performance”

I would like to invite you to take part in a research thesis. You are being asked to complete a short questionnaire. I am an MBA student at the Lebanese American University. It is appreciated if you can complete the following questionnaire as part of my research thesis, therefore the gathered statistics would be significant to complete the research. This questionnaire aims to gather information for the purpose of supporting the theoretical study on corporate social responsibility and corporate governance and their role in the corporate financial performance.

The information you provide will be used to enhance and improve the practices of corporate governance to better govern any corporation and increase its performance. These practices involve activities that are socially responsible towards a company's employees, customers, and the government.

Completing the survey will take approximately seven minutes of your time.

By continuing with the questionnaire, you approve with the following statements:

1. I have been given sufficient information about this research project.
2. I understand that my answers will not be released to anyone and my identity will remain anonymous. My name will not be written on the questionnaire nor be kept in any other records.
3. I understand that all responses I provide for this study will remain confidential. **When the results of the study are reported, I will not be identified by name or any other information that could be used to infer my identity.** Only researchers will have access to view any data collected during this research however data cannot be linked to me.
4. I understand that I may withdraw from this research any time I wish and that I have the right to skip any question I don't want to answer.
5. I understand that my refusal to participate will not result in any penalty or loss of benefits to which I otherwise am entitled to.
6. I have been informed that the research abides by all commonly acknowledged ethical codes and that the research project has been reviewed and approved by the Institutional Review Board at the Lebanese American University
7. I understand that if I have any additional questions, I can ask the research team listed below.
8. I have read and understood all statements on this form.
9. I voluntarily agree to take part in this research project by completing the following survey.

If you have any questions, you may contact:

Name (PI)	Phone number	Email address
AbdulRahman AlKassar	0096171586559	Abdulrahman.alkassar@lau.edu
Walid El Gammal	0096171314308	Walid.elgammal@lau.edu.lb

If you have any questions about your rights as a participant in this study, or you want to talk to someone outside the research, please contact the:

IRB Office,
Lebanese American University
3rd Floor, Dorm A, Byblos Campus
Tel: 00 961 1 786456 ext. (2546)

Please tick or/ circle the appropriate answer:

- 1) Your organization size: a) 1 - 9 employees; b) 10 - 19 employees
c) 20 - 50 employees; d) > 50 employees
- 2) Your organization's board of directors size:
a) 1 - 4 members; b) 5 - 10 members; c) > 10 members
- 3) How many times does the board meet per year?
1) 1 - 3 times
2) 4 - 6 times
3) > 6 times
- 4) CEO compensation:
1) < 50,000 \$
2) 50,000 - 99,000 \$
3) 100,000 - 149,000 \$
4) 150,000 - 250,000 \$
5) > 250,000 \$
- 5) Do family members who are not members of the legal board attend the meeting?
1) Yes
2) No
- 6) Do family members engage and participate in board decisions?
1) Always
2) Sometimes
3) Never
- 7) Approximately what are the sales revenues per year?
1) < 100,000 \$
2) 100,000 - 499,000 \$
3) 500,000 - 1,000,000 \$
4) > 1,000,000 \$
- 8) Over the past five years the average annual sales revenue has:
1) Decreased significantly
2) Decreased slightly
3) No change
4) Increased slightly
5) Increased significantly
- 9) Combined long term and short term debt is approximately what % of equity?
1) 1 - 25%
2) 26 - 50%
3) > 50%
- 10) Qualifications: a) No degree b) Graduate
- 11) Specialization: a) Accounting and auditing b) Banking science
c) Business Administration c) Another set
- 12) Years of experience: a) < 5 years b) 5-10 years c) > 10 years

- 13) Professional certificate: a) CA b) CPA c) CIA
d) Another set e) No
- 14) Age: a) < 30 years b) 30-40 years c) > 40 years
- 15) Gender: a) Male b) Female

For each of the questions, please circle the most appropriate answer. There is an ample level of transparency of financial data in terms of

	SD	D	N	A	SA
CGTRN1. Financial results					
CGTRN2. Objectives of the company					
CGTRN3. Accounting evaluations					
CGTRN4. Related party transactions: elements and nature					
CGTRN5. Related party transactions: practices and disclosure (under control)					
CGTRN6. Board's duties and financial communications					
CGTRN7. Extraordinary transactions regulations					
CGTRN8. Alternative accounting decisions: impact and analysis					
CGTRN9. The process for decision making and approval of transactions with related parties Part					

For each of the questions, please circle the most appropriate answer. There is an ample level of Ownership structure and control privileges

	SD	D	N	A	SA
CGOWN1. Structure of ownership					
CGOWN2. Control organization					
CGOWN3. Control and equity stake					
CGOWN4. Control privileges					
CGOWN5. Existence of meeting agenda					
CGOWN6. Procedures for holding annual meetings					
CGOWN7. Shareholders diversity? Variations					
CGOWN8. Actions for Anti-Takeovers					
CGOWN9. Regulations that cover and guide the corporate control					

For each of the questions, please circle the most appropriate answer. There is an ample level of Structure of Board of Directors and Management in terms of

	SD	D	N	A	SA
CGBRD1. Structure and goals of risk management					
CGBRD2. Board of director's structure: non-executives versus executive					
CGBRD3. Information about board members such as qualifications and biographical information					
CGBRD4. Responsibilities and positions of outside board members					
CGBRD5. Position held by the executives and the number of outside board members					
CGBRD6. Checks and balances instruments					
CGBRD7. Presence of a succession plan					
CGBRD8. Conflict of interest prevention through committees and governance procedures					
CGBRD9. Governance committee composition and main task					
CGBRD10. Board of directors: function and role					
CGBRD11. Length of contracts for directors					
CGBRD12. Composition of the remuneration of directors and its determinants					
CGBRD13. Number of independent board members					
CGBRD14. Professional activities for training and development					
CGBRD15. Reimbursement plan for senior managers in special cases such as merger and acquisition					
CGBRD16. Presence of procedures covering conflicts of interest among board members					
CGBRD17. Existence of advisors during reporting period					
CGBRD18. Process for evaluating performance					
CGBRD19. Management and board members' material interests					

For each of the questions, please circle the most appropriate answer. There is an ample level of CG in the analysis of auditing committee and elements in terms of

	SD	D	N	A	SA
CGADT1. Procedures governing collaboration with external auditors					
CGADT2. Procedures and responsibilities for appointing internal auditors					
CGADT3. Reliability of external auditors and board's confidence					
CGADT4. Procedures governing collaboration with internal auditors					
CGADT5. Decision making procedure for appointing external auditors					
CGADT6. Internal control systems					
CGADT7. Period of auditor contracts					
CGADT8. Audit partner rotation process					
CGADT9. The remuneration of auditors and involvement in non-audit work					

For each of the questions, please circle the most appropriate answer. There is an ample level of CSR to social and non-social stakeholders in terms of

	SD	D	N	A	SA
CSRSTK1. Our company participates to the activities which aim to protect and improve the quality of the natural environment					
CSRSTK2. Our company makes investment to create a better life for the future generations					
CSRSTK3. Our company implements special programs to minimize its negative impact on the natural environment					
CSRSTK4. Our company targets a sustainable growth which considers to the future generations					
CSRSTK5. Our company supports the non-governmental organizations working in the problematic areas					
CSRSTK6. Our company contributes to the campaigns and projects that promote the well-being of the society					

For each of the questions, please circle the most appropriate answer. There is an ample level of CSR to employees in terms of

	SD	D	N	A	SA
CSREMP1. Our company encourages its employees to participate to the voluntarily activities					
CSREMP2. Our company policies encourage the employees to develop their skills and careers					
CSREMP3. The management of our company primarily concerns with employees' needs and wants					
CSREMP4. Our company implements flexible policies to provide a good work and life balance for its employees					
CSREMP5. The managerial decisions related with the employees are usually fair					
CSREMP6. Our company supports employees who want to acquire additional education					

For each of the questions, please circle the most appropriate answer. There is an ample level of CSR to customers in terms of

	SD	D	N	A	SA
CSRCUS1. Our company protects consumer rights beyond the legal requirements					
CSRCUS2. Our company provides full and accurate information about its products to its customers					
CSRCUS3. Customer satisfaction is highly important for our company					

For each of the questions, please circle the most appropriate answer. There is an ample level of CSR to government in terms of

	SD	D	N	A	SA
CSRGOV1. Our company always pays its taxes on a regular and continuing basis					
CSRGOV2. Our company complies with the legal regulations completely and promptly					

In question 20, tick 1 for poor, 2 for fair, 3 for good, 4 for very good and 5 for excellent.

Please indicate your company's level of performance in terms of:

	1	2	3	4	5
CFPCP1. Growth in sales					
CFPCP2. Growth in market share					
CFPCP3. Growth in employees					
CFPCP4. Growth in profitability					
CFPCP5. Profit margin on sales					
CFPCP6. The ability to fund growth from profits					

Please indicate if your current performance compared to past performance in terms of:

	Much Worse	Worse	About the Same	Slightly Higher	Higher than
CFPCHGP1. Growth in sales					
CFPCHGP2. Growth in market share					
CFPCHGP3. Growth in employees					
CFPCHGP4. Growth in profitability					
CFPCHGP5. Profit margin on sales					
CFPCHGP6. The ability to fund growth from profits					