International Journal of Business and Management Invention (IJBMI)
ISSN (Online): 2319-8028, ISSN (Print):2319-801X
www.ijbmi.org || Volume 10 Issue 11 Ser. II || November 2021 || PP 42-46

A brief Review of Corporate Governance Structure and Corporate Profitability in Developed and Developing economy: A review

Mohammed Almashhadani
Department of industrial Engineering, University of Houston

Abstract
The goal of this research, from an agency theory perspective, is to investigate the implication of corporate governance structure on corporate profitability in industrialised and emerging economies. Considering developed countries confront distinct circumstances, the article contends that there will be differences in organisational performance between developed vs developing countries. The existing research looks at the literature in both developed and developing economies. In the finance and accounting literature, the impact of corporate governance structure on profitability has been researched independently. The potential consequences of most corporate governance structure factors on profitability, on the other hand, have garnered insufficient consideration. Moreover, there are few investigations that indicate how relevant explanatory variables of corporate governance structure are applied in the Middle Eastern setting.

Keywords:*Corporate Governance, Corporate Profitability, in Developed economy, Developing economy, and A review*

Date of Submission: 10-11-2021 Date of Acceptance: 25-11-2021

I. INTRODUCTION

Many recent and contemporary studies are interested in examining the impact of good corporate governance managed by good corporate governance and its impact on the performance of companies in both developed and developing countries. The world has witnessed major collapses and multiple crises in all countries, and major companies in the developed and developing world have collapsed. This situation led to the necessity of a tight control system that controls and manages companies of all kinds; The financial and non-financial sector in order to reach the stability of the financial market for countries and thus for the world as a whole (Alabdullah et al., 2014b).

II. LITERATURE REVIEW

Corporate governance has been core research issues for several decades. The relationship between CG and profitability has been tested in financial and accounting literature in conjunction with the relationship between profitability and firm financial performance (CFP). In several previous works , CG has been tested as a determinants of profitability (Alabdullah, 2017; Ahmed et al., 2014; Ahmed et al., 2020; Ahmed et al., 2019; Ahmed et al., 2017; Alabdullah& Ahmed, 2020; Alabdullah et al, 2018; Abushammala et al, 2015; Ahmed et al., 2019; Ahmed et al., 2021; Alabdullah, 2016a; Ahmed et al., 2014;Alabdullah & Ahmed, 2019; Alabdullah, 2016a, 2016b, 2016c, 2016d; Ahmed et al., 2018; Alabdullah et al., 2014; Alabdullah et al, 2016; Ahmed, 2014; Ahmed et al., 2020; Alabdullah et al, 2020; Alabdullah et al, 2018; Alabdullah et al, 2019; Alabdullah et al, 2019; Alabdullah et al, 2020; Ahmed et al., 2018; Alabdullah& Ahmed, 2018; Alfadhl&Alabdullah, 2016;Alabdullah, 2019; Ahmed et al., 2020; Alabdullah, 2018; Ahmed et al., 2020; Ahmed et al., 2016; Alabdullah, 2021a, 2021b; Alabdullah et al, 2018; Alabdullah et al, 2021; Nor et al., 2020Alfadhl&Alabdullah, 2013;; Ahmed et al., 2021; Essia, 2014 Alabdullah et al, 2014a, 2014b). A large number of such studies invisigating the link among CG and firm performance conflicting evidence Alabdullah et. Al. 2020; Almashhadani, 2020; Alabdullah et al., 2021; Almashhadani, 2021).

Mashayekhi and Bazaz (2008) and Alabdullah et al., (2016) investigate the impact of corporate governance on company performance in Iran, one of the world's fastest-growing economies. For the years ranging from 2005-2006, this investigation explores that function in firms listed on the Tehran Stock Exchange (TSE). Because the controlled business has essentially different cash flow and accrual processes, the research sample comprises 240 enterprises, with the exception of all financial companies (including banks). They gathered information on the board's composition, attributes, and other information from TSE yearly reports and the company's website. Corporate governance is the independent variable in this investigation, whereas business performance is the dependent variable. The board of directors, the board size, board independence, institutional investors, and board leadership (The CEO duality) are all considered corporate governance measures in this investigation.

Alabdullah et al., (2018), Alabdullah et al., (2020a),Alabdullah, & Ahmed, (2020b) In contrast,the return on equity (ROE), return on assets (ROA), and earnings per share are used to gauge business performance (EPS). The results of this investigation reveal that the size of the board of directors has a negative and substantial relationship with all corporate performance metrics (ROE, ROA, and EPS). They accept that the enormous board size has a negative impact on performance. Additionally, all corporate performance indicators have a significant positive connection with board independence (ROE, ROA and EPS).In this way, board independence strengthens and improves the company's performance. Nevertheless, their data show no link between board leadership duality and any of the corporation's performance indicators. Furthermore, the data reveal that there is no correlation between institutional directorship and business performance. This investigation contradicts the findings of Yermack (1996) and Klein (1998)and Alabdullah, & Ahmed, (2020a) Falih et al., (2021), who concluded that having a large number of outside directors had a detrimental impact on business performance. Klein (1998) and also other scholars discussed this issue Alabdullah& Ahmed, 2019; Ahmed et al., 2020; Alabdullah et al, 2019; Alabdullah, 2019; Ahmed et al., 2020; Ahmed et al., 2020; Alabdullah, 2021a, 2021b; Alabdullah et al, 2021)`

discovers a positive association between management ownership and business performance, as well as a negative relationship between the independence of directors (non-executives) and firm performance. In a similar way, Sanders (2006)shows a positive association between management ownership and business performance. While some investigations Alabdullah (2021) discover that the association between managerial ownership and business performance requires an inverted U-shaped connection, Gedajlovic and Shapiro (2002) determine the association between management ownership and firm performance in 334 Japanese enterprises and obtain a positive and significant relationship between such variables.

Other studies (See., Ahmed et al., 2014; Alabdullah et al, 2018; Alabdullah et al, 2014a, 2014b; Alabdullah and Eny, 2021; Ahmed et al., 2016; Alfadhl and Alabdullah, 2013; Alabdullah, 2021; Alabdullah et al, 2018; Ahmed, 2014; Alabdullah et al., 2014)investigate the relationship between company financial performance and corporate governance for all insurance businesses in Ghana. Primary and secondary data are considered in this investigation. The primary data was gathered via the execution of interview questionnaires, while the secondary data was gathered via the National Insurance Commission. The annual general meeting, dividend policy, institutional ownership, foreign ownership, audit committee, levels of the board of director skill, CEO duality, board independence, and board size are all corporate governance factors. In addition, profitability (ROE and ROA), as well as corporate social responsibility,including corporate social responsibility, are indicators of a company's performance. All corporate governance characteristics are favourably associated with the financial performance of insurance businesses in Ghana, according to the investigation. Therefore, in an effort to improve business performance, insurance firms should focus more on implementing excellent corporate governance processes, according to the research's general proposals.

In one of the emerging nations, Nigeria, Ehikioya (2009) investigates the relationship between corporate governance structure and business performance. The research's sample included 107 publicly traded Nigerian firms listed on the Nigerian Stock Exchange (NSE) from 1998 to 2002. He analysed existing evidence for such a sample employing the regression model. The analyses exhibit that board composition (non-executive directors and board size) and managerial ownership had little impact on business performance.

Jackling and Johl (2009) investigated the relationship between internal corporate governance systems and corporate performance of top Indian corporations listed on the Bombay Stock Exchange for the year 2006. They exclude the financial industry since it is governed by its own set of rules. The duality of CEO and chairman, board meetings, board of directors size, board composition and are among the corporate governance methods studied, while business performance is measured employing Tobin's Q. The findings suggest that a bigger board of directors has a considerable and favourable impact on business performance.They concede that having a massive board of directors increases knowledge, promotes decision-making quality, and boosts business performance. Here, the findings of this investigation contradict those ofYermack (1996), who claimed that a tinier board of directors has a favourable influence on improving business performance. Furthermore, the investigation demonstrates that the higher the number of non-executive (outsider) employees, the better the corporation's performance. The investigation also discovers a negative link between the company performance and duality role.

Lawal (2012)conducts an extensive review of the literature on the correlation between board dynamics and business performance. He discloses that majority past research has focused on crucial board aspects, for instance, size, composition, and the CEO/Chairman duality. He acknowledges the necessity for a link between board features and company performance, which he believes is a viable and intriguing research topic. His observations suggest that forming and designing an ideal board of directors contributes to improved corporate performance. Furthermore, others apply Tobin's Q to examine the relationship between corporate governance procedures and business value. The sample businesses for this investigation were all of the Chinese corporations that were publicly traded between 1999 and 2001. They are reliant on secondary data from yearly reports. Managerial and foreign ownership have a substantial and beneficial influence on business value, according to the researchers. They do, however, discover that the mechanism of the CEO and Chairman being the same person has a detrimental impact on corporate performance. Several studies dealt with the mechanisms of governance and its relationship to institutional performance, which spanned over successive years in studying the relevant factors affecting the performance of companies, such as, for example, Alabdullah et al.,...... tested the influense of corporate governance mechanisms and ownership structure on the firm financial performance of the listed firms in one of the emerging countries, Jordan. They utlized regression test to evaluate the link between corporate governance mechanisms and the sownershiptructure and profitiblity.

Directions for Future Research

The aim of the research was to explore and survey studies that dealt with the impact of corporate governance mechanisms on the financial performance of companies. In theory and pre-classification, there are several different types of companies, including industrial, service and financial sector, where some of these companies have unique assets while others have corporate governance practices that incur significant costs and are exposed to large and diverse agency problems, which in turn Caused the collapse of companies in the financial market. The definitions of the mechanisms of corporate governance and their relationship to foreign and family ownership and management control over them will most likely not differentiate between the effects of the different sectors, and therefore there is a weakness in explaining the differences in enhancing the performance of the company and maximizing its value. The current study recommends the necessity of having studies dealing with registered companies, and the selection of governance mechanisms and their relationship to the financial performance of companies, taking into account the study of panel data and not cross-sectional. Where testing variables for a number of years so that the results of the study can be generalized and be benefited.

III. CONCLUSIONS

REviwing large wave of the previous studies over a long time period, we review the link of several mechanisms of corporate governance done by the previous works dealing with, for example, board of directors size on firm financial performance in the developed and developing economies. The current study offers an interesting ways of reviewing studies that dealt with several issues , due to developing countries boards size play a much weaker controlling role than developed countries' firms and thus any negative effect of large size of board of directors is likely to reveal the malfunction of the board of directors' advisory rather than controlling role. we mentioned the arguments of researchers and scholars and acadimics who have mentioned for small boards , refering to the problems of poor link and decision making that affect the efficiency of large comapnies.

REFERENCES

[1]. Abushammala, S. N., Alabdullah, T. T. Y., & Ahmed, E. R. (2015). Causal Relationship between Market Growth and Economic Growth. Comparison Study. European Journal of Business and Management 7(33).

[2]. Ahmed, E. R., Alabdullah, T. T. Y., Ardhani, L., &Putri, E. (2021). The Inventory Control System's Weaknesses Based on the Accounting Postgraduate Students' Perspectives. Journal of Accounting and Business Education, 5(2), 1-8.DOI: http://dx.doi.org/10.26675/jabe.v5i2.19312.

[3]. Ahmed, E. R., Islam, M. A., Alabdullah, T. T. Y., and bin Amran, A. (2018c). Proposed the pricing model as an alternative Islamic benchmark. Benchmarking: An International Journal 25, 2892–2912. doi: 10.1108/bij-04-2017-0077.

[4]. Ahmed, E. R., Alabdullah, T. T. Y., Shaharudin, M. S., &Putri, E. (2020). Further Evidence on the Link between Firm's Control Mechanisms and Firm Financial Performance: Sultanate of Oman. Journal of Governance and Integrity, 4(1), 1-6.

[5]. Ahmed, E. R., Alabdullah, T. Y., Islam, M. A., &Asmar, M. (2014) "Sukuk Legitimacy: A New Measurement Based on Content Analysis" 16th Malaysian Finance Association Conference in SasanaKijang Central Bank of Malaysia, Kuala Lumpur, June 4-6, 2014.

[6]. Ahmed, E. R., Alabdullah, T. T. Y., Thottoli, M. M., &Maryanti, E. (2020). Does Corporate Governance Predict Firm Profitability? An Empirical Study in Oman. The International Journal of Accounting and Business Society, 28(1), 127-143.

[7]. Ahmed, E. R., Aiffin, K. H. B., Alabdullah, T. T. Y., &Zuqebah, A. (2016). Zakat and Accounting Valuation Model. Journal of Reviews on Global Economics, 5, 16-24.

[8]. Ahmed, E. R., Islam, M. A., and & Alabdullah, T. T. Y. (2017). The moderating role of Shariah supervisory board on sukuk pricing benchmark. International Journal of Excellence in Islamic Banking and Finance 6.

[9]. Ahmed, E. R., Islam, A., Zuqibeh, A., &Alabdullah, T. T. Y. (2014). Risks management in Islamic financial instruments. Advances in Environmental Biology, 402-406.

[10]. Ahmed, E. R., Islam, M. A., Alabdullah, T. T. Y., &Amran, A. B. (2019). A qualitative analysis on the determinants of legitimacy of sukuk. Journal of Islamic Accounting and Business Research, Vol. 10 No. 3, pp. 342-368.

[11]. Ahmed, E. R., Alabdullah, T. T. Y &Shaharudin, M. S. (2020). Approaches to Control Mechanisms and Their Implications for Companies' Profitability: a Study in UAE. Journal of accounting Science, Vol. 4, no. 2, pp. 11-20.

[12]. Ahmed, E. R., Rahim, N. F. A., Alabdullah, T. T. Y., &Thottoli, M. M. (2019). An examination of social media role in entrepreneurial intention among accounting students: a SEM study. Journal of Modern Accounting and Auditing, 15(12), 577-589.

[13]. Ahmed, E. R., Alabdullah, T. T. Y., Amran, A., &Yahya, S. B. (2018). Indebtedness Theory and Shariah Boards: A Theoretical Approach. Global Business and Management Research, 10(1), 127-134.
[14]. Ahmed, E. R., Islam, M. A., &Alabdullah, T. T. Y. (2014). Islamic sukuk: Pricing mechanism and rating. Journal of Asian Scientific Research, 4(11), 640.
[15]. Alabdullah, T. T. Y. (2021). Management accounting insight via a new perspective on the risk management - companies' profitability relationship. International Journal of Intelligent Enterprise 7, In press.
[16]. Alabdullah, T. T. Y., Ahmed, E. R., and Nor, M. I. (2020). The World Declining Economy And Coronavirus Pandemic: Systems Should Be Continued. Russian Journal of Agricultural and Socio-Economic Sciences 102, 89–96. doi: 10.18551/rjoas.2020-06.11.
[17]. Alabdullah, T. T. Y. (2021). Ownership Structure and the Failure or Success of Firm Performance: Evidence from Emerging Market; Cross-sectional Analysis. International Journal of Business and Management Invention, 10(8).
[18]. Alabdullah, T. T. Y. (2019). Management Accounting and Service Companies' Performance: Research in Emerging Economies, Australasian Accounting, Business and Finance Journal, 13(4), 100-118.doi:10.14453/aabfj.v13i4.8.
[19]. Alabdullah, T. T. Y. (2017). Compensation committee, company board attributes, and company performance: The moderating effect of leadership position. Paper presented at the 2017 Wei International Academic Conference Proceedings, July 24-27, 2017, Business and Economics.
[20]. Alabdullah, T. T. Y. (2016a). Are Board Size And Ownership Structure Beneficial In Emerging Markets' Firms? Evidence from Jordan. International Journal of Management & Information Systems (IJMIS), 20(3), 87-94.
[21]. Alabdullah, T. T. Y. (2016d). Agency Theory Perspective: A Quantitative Study Of Accounting Performance Measures In Emerging Economies. ICTE Proceedings, New York.
[22]. Alabdullah, T. T. Y., Ahmed, E. R., & Nor, M. I. (2018). New Ideas from Management, Finance and Accounting Perspective: The Research for A New Link Between A Company's Outcome and Risk Management. 5th International Conference on New Ideas in Management, Economics and Accounting.
[23]. Alabdullah, T. T. Y. (2016c). Corporate Governance from The Perspective of The Past and The Present and The Need to Fill an International Gap. Risk Governance & Control: Financial Markets & Institutions, 6(4).
[24]. Alabdullah, T. T. Y., Yahya, S., &Ramayah, T. (2014b). Corporate Governance Development: New or Old Concept? European Journal of Business and Management, 6(7), 312-315.
[25]. Alabdullah, T. T. Y. (2016b). The Performance of Companies and The Board's Characteristics From the New Perspective of Manipulation Avoidance. Corporate Ownership & Control, 13(4), 279-286.
[26]. Alabdullah, T. T. Y., Maryanti, E . (2021). Internal Control Mechanisms in Accounting, Management, and Economy: A review of the Literature and Suggestions of New Investigations. International Journal of Business and Management Invention, 10(9).
[27]. Alabdullah, T. T. Y., Ahmed, E. R. (2021). New Insights to Investigate the Impact of Internal Control Mechanisms on Firm Performance: A Study in Oman. RisetAkuntansidanKeuangan Indonesia, Vol. 6,(2).
[28]. Alabdullah, T. T. Y., Alfadhl, M. M. A., Yahya, S., & Rabi, A. M. A. (2014). The Role of Forensic Accounting in Reducing Financial Corruption: A Study in Iraq. International Journal of Business and Management, 9 (1), 26.
[29]. Alabdullah, T. T. Y., Yahya, S., and Ramayah, T. (2014a). Corporate Governance Mechanisms and Jordanian Companies' Financial Performance. Asian Social Science 10, 247–247. doi: 10.5539/ass.v10n22p247.
[30]. Alabdullah, T. T. Y., Ahmed, E. R., & Ahmed, R. R. (2021). Organization features and profitability: Implications for a sample of Emerging Countries. Journal of Accounting and Business Education, 5(2), 43-52.DOI: http://dx.doi.org/10.26675/jabe.v5i2.16351.
[31]. Alabdullah, T. T. Y., Ahmed, E. R., Mohammed Almashhadani, M, Yousif S, Almashhadani H, Almashhadani R, Putri, E (2021). How Significantly to Emerging Economies Benefit From Board Attributes and Risk Management in Enhancing Firm Profitability? Journal of Accounting Science 5(2).
[32]. Alabdullah, T. T. Y., Ahmed, E. R., (2020). A cross-sectional analysis of the influence of corporate governance features on the organizational outcomes: An assessment. International Islamic University Chittagong. 17(2). P.P 6-26.
[33]. Alabdullah, T. T. Y., Yahya, S., Nor, M. I., &Majeed, F. Q. (2016). An Investigation of Corporate Governance from A New Perspective: Examining the Financial Performance of Companies and The Impact of Executive Turnover. Corporate Board: Role, Duties & Composition, 12(1).
[34]. Alabdullah, T. T. Y., Ahmed, E. R., &Muneerali, M. (2019). Effect of Board Size and Duality on Corporate Social Responsibility: What has Improved in Corporate Governance in Asia?. Journal of Accounting Science, 3(2), 121-135.
[35]. Alabdullah, T. T. Y., Ahmed, E. R. (2019). Board Diversity and Disclosure of Corporate Social Responsibility Link: A Study in Malaysia. Journal of Adv Research in Dynamic & Control System, 11(11).
[36]. Alabdullah, T. T. Y. (2018). The relationship between ownership structure and firm financial performance. Benchmarking: An International Journal, 25(1), 319-333.
[37]. Alabdullah, T. T. Y., Laadjal, A., Ries, E., & Al-Asadi, Y. A. A. (2018). Board Features and Capital Structure in Emerging Markets. Journal of Advanced Management Science, 6 (2).
[38]. Alabdullah, T. T. Y., Nor, M. I., & Ahmed, E. R. (2018). The determination of firm performance in emerging nations: Do board size and firm size matter? Management, 5(3), 57-66.
[39]. Alabdullah, T. T. Y., Ahmed, E. R., & Nor, M. I. (2019). Do board characteristics provide more enhancement for firm financial performance? A corporate governance perspective. New challenges in corporate governance: Theory and practice (pp. 89-91). https://doi.org/10.22495/ncpr_25.
[40]. Alabdullah, T. T. Y & Ahmed, E. R. (2020). Audit Committee Impact on Corporate Profitability in Oman Companies: an Auditing and Management Accounting Perspective. RisetAkuntansidanKeuangan Indonesia, Vol. 5, no. 2, pp. 121-128.
[41]. Alabdullah, T. T. Y. and Ahmed, E. R. (2018). Corporate Governance: To What Extent it is important in the Arab Countries. International Journal of Science and Research 7.
[42]. Alabdullah, T. T. Y & Ahmed, E. R. &Abushammala, S. (2020). Growth of Companies: Empirical Study of the Companies Listed in Developing Economies. Journal of accounting Science, Vol. 4, no. 2, pp. 1-10.
[43]. Alfadhl, M. M. A. F. and Alabdullah, T. T. Y. (2013). Determinants of the Managerial Behavior of Agency Cost and Its Influential Extent on Performance: A Study in Iraq. International Journal of Humanities and Social Science, 3–3.
[44]. Alfadhl, M. M. A., Alabdullah, T. T. Y. (2016). Agency Cost and Management Behavior: The Role of Performance as a Moderator. International Journal of Science and Research (IJSR), 5(1), 1858-1864.
[45]. Almashhadani, M. (2021). How Dose Corporate Governance Leverage Organizational Performance: A Survey With Suggestions And Notes For Further Research. Russian Journal of Agricultural and Socio-Economic Sciences 3(111), 3–9.
[46]. Almashhadani, M. (2020). Testing the effecting elements of R&D engineer's inventively in design industrialization Sector: A study in Singapore. Journal of Information and Computational Science,10(5).

[47]. EssiaRies, A. (2014). Islamic Sukuk: Pricing mechanism and rating [Електроннийресурс]/EssiaRies Ahmed, Md. Aminul Islam, Tariq TawfeeqYousifAlabdullah. Journal of Asian Scientific Research, (4), 11.
[48]. Ehikioya, B. I. (2009). Corporate governance structure and firm performance in developing economies: evidence from Nigeria. Corporate Governance, 9(3), 231-243. doi: 10.1108/14720700910964307
[49]. FalihChichan, H., &Alabdullah, T. T. Y. (2021). Does Environmental Management Accounting Matter in Promoting Sustainable Development? A study in Iraq. Journal of Accounting Science, 5(2), 114-126.
[50]. Gedajlovic, E., & Shapiro, D. M. (2002). Ownership structure and firm profitability in Japan. Academy of Management Journal, 45(3), 565-575.
[51]. Jackling, B., &Johl, S. (2009). Board Structure and Firm Performance: Evidence from India's Top Companies. Corporate Governance: An International Review, 17(4), 492-509. doi: 10.1111/j.1467-8683.2009.00760.x
[52]. Klein, A. (1998). Firm Performance and Board Committee Structure 1. The Journal of Law and Economics, 41(1), 275-304.
[53]. Lawal, B. (2012). Board Dynamics and Corporate Performance: Review of Literature, and Empirical Challenges. International Journal of Economics and Finance, 4(1), 22-35.
[54]. Mashayekhi, B., &Bazaz, M. S. (2008). Corporate governance and firm performance in Iran. Journal of Contemporary Accounting & Economics, 4(2), 156-172.
[55]. Nor, M. I., Masron, T. A., &Alabdullah, T. T. Y. (2020). Macroeconomic fundamentals and the exchange rate volatility: empirical evidence from Somalia. SAGE Open, 10(1), 2158244019898841.
[56]. Yermack, D. (1996). Higher market valuation of companies with a small board of directors. Journal of financial economics, 40(2), 185-211.
[57]. Roberts, J., Sanderson, P., Barker, R., & Hendry, J. (2006). In the mirror of the market: The disciplinary effects of company/fund manager meetings. Accounting, Organizations and Society, 31(3), 277-294. doi: 10.1016/j.aos.2005.02.001

Mohammed Almashhadani. "A brief Review of Corporate Governance Structure and Corporate Profitability in Developed and Developing economy: A review." *International Journal of Business and Management Invention (IJBMI)*, vol. 10(11), 2021, pp. 42-46. Journal DOI- 10.35629/8028