# The Thesis of the
# PhD dissertation

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**HUNGARIAN UNIVERSITY OF AGRICULTURE AND LIFE SCIENCES**

# "The Impact of Hofstede's cultural dimensions theory on corporate performance through applying Corporate Governance in Financial Institutions in Jordan"

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## 1. BACKGROUND OF THE WORK AND ITS AIMS

Corporate governance and culture are important topics in the literature, particularly corporate governance after the international financial breakdowns, where effective CG structures are becoming an important factor in protecting the rights of shareholders and increasing confidence in the state's economy. Many studies have indicated that corporate governance mitigates agency problems (OLIVEIRA 2016; LICHT 2014). Further, Cultural factors are also related to agency problems (RAFIEE - SARABDEEN 2012; BAE ET AL. 2012). Culture is defined as a collection of values and activities of people within a country or business (AL-HARSH 2008). Corporate governance is defined by (OECD, 2004) as a connection between the stakeholders of the company (management of the company, board, shareholders). Governance is also known as a mechanism used in the company to mitigate agency problems and to overcome the conflicts of interest between the owners and managers (JENSEN - MECKLING 1976).

Most studies showed that corporate governance is a critical factor in impacting company performance, where most the findings of empirical literature indicated that there is a positive relationship between corporate governance and corporate performance (ABDALLAH - ISMAIL 2017; SALIM ET AL. 2016). While other studies showed contradictory results (MARASHDEH 2014) pointed out that there is no significant impact of some corporate governance variables such as (board size) on firm performance. The study also finds that the presence of non-executive directors has a negative impact on firm performance. (SALIM ET AL. 2016) find that the number of independent board members and board meetings had no significant impact on bank technical performance.

Culture dimensions have been conducted in the literature in various forms. Some of the studies for example (STULZ - WILLIAMSON 2003) used religion and language as proxies for culture, (CHUI ET AL. 2002) used six cultural dimensions of (SCHWARTZ'S 1994), (BAE ET AL. 2010) and (OLIVEIRA 2016) used the Hofstede cultural dimensions. In Jordan context, Hofstede's cultural dimensions have been conducted in general, for example (SABRI 2012; ALKAILANI ET AL. 2012; AL – JAAFREH AND ET AL. 2012; AFANEH ET AL. 2014). According to the impact of Hofstede's cultural dimensions on performance, almost there are negligible empirical and theoretical studies have been addressed in Jordan. On the other hand, there are some studies that examined the effect of culture in different aspects. The results of some studies confirmed that culture influences performance, (MARTINS - LOPES 2016) found power distance, uncertainty avoidance, Long-term Orientation, and Indulgence cultures impact on CP. Furthermore, (BOUBAKRI ET AL. 2017) found that uncertainty avoidance, collectivism, and power distance have an impact on bank performance during the financial crisis.

Culture reflects corporate policies, and it differs across countries, as a result, culture has an important role in adopting good corporate governance practices in companies (GRIFFIN ET AL. 2014). This is confirmed by many studies that showed the importance of cultural factors in corporate governance. For example (LICHT ET AL. 2005; LICHT 2014; RAFIEE - SARABDEEN 2012; GANTENBEIN - VOLONTÉ 2012). Hence the importance of cultural factors in corporate governance and the importance of their critical roles on performance. This study will enrich literature in this field in Jordan context by filling the gap in this regard by considering the culture dimensions as a critical factor that affects corporate performance with the presence of corporate governance. Therefore, Following (OLIVEIRA 2016, BAE ET AL. 2012) who investigated the impact of corporate governance and cultural dimensions in dividend

policy. Further, following (GRIFFIN ET AL. 2014) who investigated Hofstede's National Culture, Corporate Governance Practices, and Firm Performance, by using cultural theory.

This study examines the (individual and interaction) impact of culture and corporate governance on corporate performance in the Jordan context by using the six Hofstede dimensions. To measure corporate governance this study employs different measures, the most important factors of corporate governance used in the literature of governance and capital structure, namely Board Committees (Audit, Governance, IT), Independence of Board of Directors INDB, Non-CEO duality NCEOD, Largest ownership LO, Government ownership GO, Foreign ownership FO. To measure culture the researcher use Hofstede model of national culture developed by Hofstede (six dimensions), namely, Power distance index PDI, Individualism vs. collectivism IDV, Uncertainty avoidance UAI, Masculinity vs. femininity MAS, Long-term orientation vs. short-term orientation LTO, Indulgence vs. restraint IND. Using these six of Hofstede's cultural dimensions contribute to the literature locally and globally, since these six factors have not been used together in many studies particularly with corporate governance.

BAE ET AL. (2012) used Hofstede's cultural dimensions-uncertainty avoidance, masculinity, and a long-term orientation, (OLIVEIRA 2016) used three cultural dimensions (Masculinity versus Femininity, Uncertainty Avoidance index, and Indulgence versus Restraint. And (ZHENG - ASHRAF 2016) used four dimensions: uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity, and power distance. Locally, there are no studies that have used the six of Hofstede's cultural dimensions to investigate the impact of culture on performance. However, some international studies conducted these six dimensions in general, for example (HOFSTEDE 2011) entitled "Dimensionalizing Cultures: The Hofstede Model in Context"; (CHANDAN 2014) entitled "Creating a culturally sensitive marketing strategy for the diffusion of innovations using Hofstede's six dimensions of national culture"; (GAMLATH 2017) entitled "Human Development and National Culture: A Multivariate Exploration". Furthermore, the current study used the agency theory, and the Hofstede cultural dimensions theory for testing the hypotheses as well as to answer the research question: In a Jordanian context, how do Hofstede's cultural dimensions theory and corporate governance affect the performance of companies? Where the study covered the financial Jordanian companies listed in the ASE 105 companies for the period (2013 - 2017). The current study demonstrated through in-depth and detailed literature research and statistical analysis in Jordanian conditions that the performance of financial firms is closely related to good corporate governance and Hofstede cultural variables. Therefore, the results of this study will be useful for many parties in Jordan such as (financiers, financial analysts, capitalists, policymakers, and academics).

### 1.1. The aim of research (Motivations of the research)

The main purpose of the research is to investigate if Hofstede's cultural dimensions theory and corporate governance have an impact on the corporate performance of listed companies in Jordan (Financial sector). As well as test how the relationship between culture and corporate performance differs with the corporate governance structure. Further, contribute to increasing awareness to recognize the importance of Hofstede's cultural dimensions and corporate governance and recognize their impact on corporate performance and provided new useful results for the concerned parties and policymaker. Particularly, there is a lack of literature about this issue in Jordan. Furthermore, provide suggestions and managerial implications regarding the culture and good corporate governance mechanisms in order to improve corporate performance. In addition, determining the barriers that impede the application of good corporate governance in Jordan.

### 1.2. Research Problem (Questions)

Many studies show that there is a significant impact of corporate governance and corporate performance e.g. (SALIM ET AL. 2016; BUALLAY ET AL. 2017; MASOUD - ALDAAS 2014). Further, the literature in Jordan proved that there are rare empirical studies that addressed Hofstede's cultural dimensions, corporate governance, and their relationship with corporate performance. And in the light of the findings of many studies that confirmed that corporate governance has a positive impact on corporate performance and the importance of the understanding of the cultural dimensions that enhance organizational commitment and achieve the objectives. Therefore, the problem of this research stems from here. This research is concerned with investigating the (individual and interaction) impact of Hofstede's cultural dimensions and corporate governance on corporate performance. The research will answer the main questions:

1. How does corporate governance impact on corporate performance?
2. How do Hofstede's cultural dimensions impact on corporate performance?
3. How do Hofstede's cultural dimensions and corporate governance impact on corporate performance?
4. How does the interaction of Hofstede's cultural dimensions and corporate governance (CG*HCL) impact on corporate performance?

### 1.3. Research Objectives

The study objective is to examine the impact of culture and corporate governance on the performance of Jordanian companies, as it can be tested experimentally by using research analysis tools. The study pursued the following particular objectives:

- To investigate the impact of corporate governance CG on corporate performance CP.
- To investigate the impact of Hofstede's cultural dimensions HCL on corporate performance CP.
- To investigate the impact of Hofstede's cultural dimensions HCL and corporate governance CG on corporate performance CP.
- To investigate the impact of the interaction of Hofstede's cultural dimensions and corporate governance (CG*HCL) on corporate performance CP.

### 1.4. Significance of the research

The current study will be applied in a Jordanian context, where the culture has some privacy and is associated with Arab customs and close social relations, and love to help others. Further, there is a lack of research (Globally, Locally), that examined the impact of Hofstede's cultural dimensions HCL and corporate governance CG on corporate performance CP. This study will prove the importance of the impact of Hofstede's cultural dimensions and corporate governance on corporate performance. As the study will be establishing the correlation between both (corporate governance and Hofstede's cultural dimensions) and corporate performance of listed companies in Jordan. This study is considered one of the rare studies in Jordan. Locally, the existing studies conducted in HCL in general without linking these dimensions with performance. Thus, this study could be the first local study is concerned with investigating the (individual and interaction) impact of HCL and CG on CP of the financial sector in the Jordan context. Therefore, this study will be useful to concerned parties such as (financiers, financial analysts, investors, and policy-makers). Moreover, this study will support and contributes to the local and global research about Hofstede's cultural dimensions and corporate governance, and their effects on the performance of companies. This study differs from prior work especially in Jordan context by providing many contributions to current literature as follows:

(1) Use the corporate performance to measure the productivity and ability to employ the resources by the managers (SUBRAMANYAM 2009), (2) use most important indicators of corporate governance that set by OECD. (3) Use the six cultural dimensions of Hofstede, and (4) link corporate governance with performance based on archival data by using data from ASE, most studies in Jordan's context examined corporate governance by using questionnaires. (5) Investigate the relationship between Hofstede's cultural dimensions HCL and corporate performance CP. (6) Investigate the impact of the interaction of CG and six of Hofstede's cultural dimensions HCL on CP. (7) use the financial sector companies.

### 1.5. Research Contribution to the literature (Novelty)

The current study tried to add a novel contribution to the literature by filling up the gaps in the previous studies that namely:

1. The current study is the first local study that uses the six cultural dimensions and CG to demonstrate their impact on CP.
2. Fill the gap in the local literature, regarding the impact of the Governance Committee GC on the performance in Jordan.
3. Contributing to literature by using a new proxy of corporate governance in terms of the Information Technology Governance Committee ITC and testing its impact on CP.
4. More importantly, the current research tried to overcome some of the gaps of the previous studies such as covering the financial sector. And the shortage regarding the board committees. As well as covering gaps in some cultural dimensions, such as long-term orientation LTO, Indulgence vs. Restraint IND, and PDI and their relationship with CP particularly with regard to interaction.

### 1.6. Research Hypotheses

The main hypotheses were developed as shown in the following Figure 1:

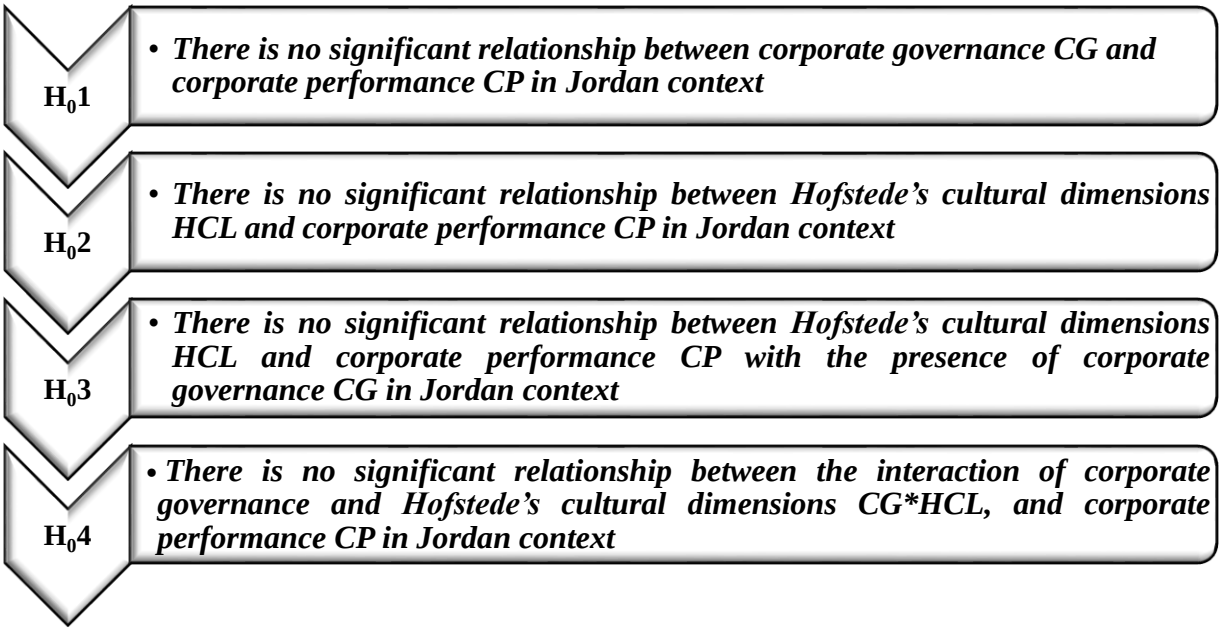


***Figure 1. Research Hypotheses***

Source: Author's own, 2021

## 2. MATERIALS AND METHODS

### 2.1. Sample of study

The population of this study is the entire financial sector companies listed on Amman stock exchange ASE. The sample included (105) companies (ASE 2018) for the period (2013 - 2018).

### 2.2. Measurement of study variables

The current study included: (1) Dependent variable (DV) corporate performance CP; (2) The Independent variable (IV) the Hofstede's cultural dimensions HCL and, (3) the independent variable corporate governance CG.

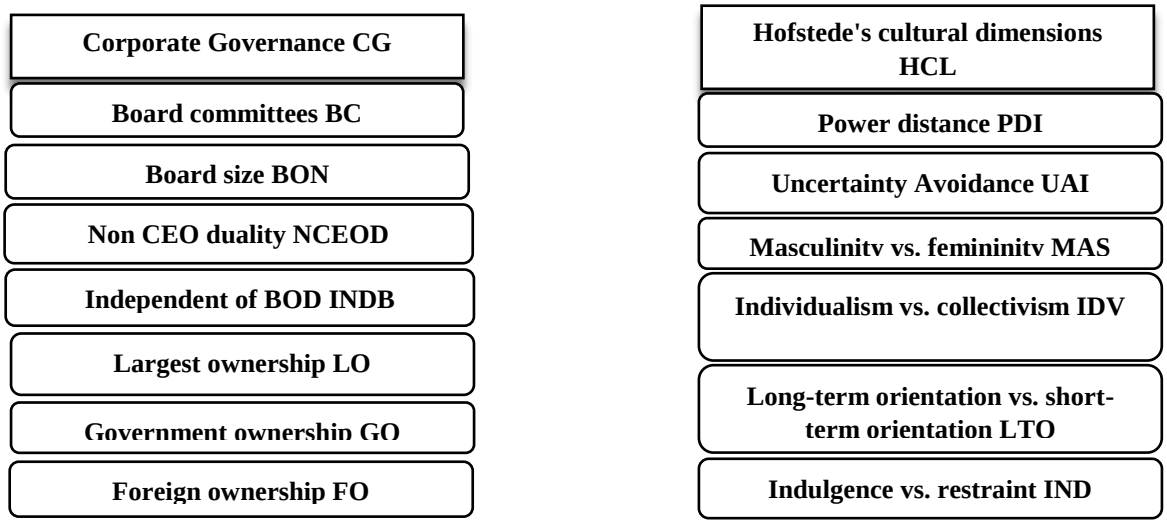


***Figure 2 Illustration of independent variables***

Source: Author's own, 2021

### 2.3. Research method and statistical analysis

To achieve the objectives of study and analyse the collected data, the study used SPSS statistical packages for social sciences. Following Figure 3 shows the used statistical analyses:

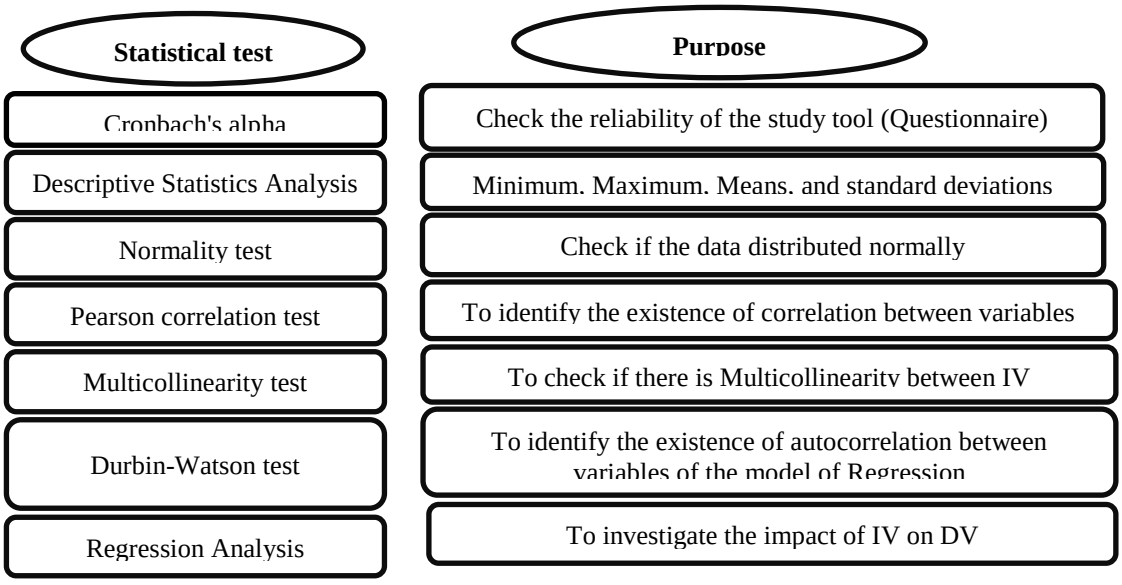


***Figure 3. Statistical analysis test***

Source: Author's own, 2021

As Shown in the figure above the following statistical analyses were pursued:

1. Cronbach's Alpha (α): To calculate the Reliability of the study instrument.
2. Descriptive Statistics (Minimum, Maximum, Means, and standard deviations, frequencies).
3. Normality test: To know if the data is distributed normally.
4. Pearson correlation coefficient: To identify the existence of a correlation between the variables.
5. Multicollinearity test: To test the collinearity between the INV in the model regression.
6. Regression analysis: To illustrate the impact of the independent variable on the dependent variable. Figure 3 shows the statistical analysis tests used in the study.

The study adopted the following regression models:

Equation (1): This model measure the individual impact of corporate governance and Hofstede's cultural dimensions on corporate performance

**CP = α + β1 (CG) + β2 (HCL) + Є**

CP = α + β1(ACN) + β2(ACM) + β3(GCN) + β4(GCM) + β5(ITN) + β6(ITM)+ β7 (BON)+ β8(INDB) + β9 (NCEOD) + β10 (LO)+ β11(FO)+ β12(GO)+ β13(PDI)+ β14(IDV)+ β15(UAI) +β16 (MAS)+ β17(LTO) +β18 (IND) + Є

Equation (2): This model measures the interaction impact of corporate governance and Hofstede's cultural dimensions CG*HCL on corporate performance.

**CP = α + β1 (CG) + β2 (HCL) + β3 (CG * HCL) + Є**

CP = α + β1(ACN) + β2(ACM) + β3(GCN) + β4(GCM) + β5(ITN) + β6(ITM)+ β7 (BON)+ β8(INDB) + β9(NCEOD) + β10(LO)+ β11(FO)+ β12(GO)+ β13(PDI)+ β14(IDV)+ β15(UAI) +β16 (MAS)+ β17(LTO) +β18(IND)+ β19(CG * HCL)+ Є

Where:

**CP**: is corporate performance, represented in: ROE is return on Equity: Net Income / Shareholder Equity, ROA is return on Assets: Net Income / Total Assets.

**CG**: is corporate governance, represented in: **ACM**: is number of audit committee meetings; **ACN**: is number of audit committee members; **GCM**: is number of governance committee meetings; **GCN**: is number of governance committee members; **ITM**: is number of IT committee meetings; **ITN**: is number of IT committee members; **INDB**: is independent of board of directors; **NCEOD:** is Non-CEO duality; **LO**: is largest ownership; **GO**: is government ownership; **FO**: is foreign ownership

**HCL:** Hofstede's cultural dimensions: PDI, IDV, UAI, MAS, LTO, IND.

**CG* HCL**: the interaction variable between corporate governance and the Hofstede cultural dimensions.

α: is the constant

β :The coefficient of the independent variables

## 3. RESULTS AND DISCUSSION

This chapter presents the results of data analysis and discussion. Such as the Reliability test, the Normality test, As well as the results of Regression analysis and testing hypotheses.

### 3.1. Reliability test

The reliability of the study tool (the questionnaire) was tested statistically by subjecting the questionnaire questions to a robust stability test using Cronbach's alpha. According to this test, the acceptable value for the reliability and stability of the questionnaire should not be less than 60% (SEKARAN 2012). Table 1 shows the results of the reliability of the instrument study.

**Table 1. Reliability test**

| Variable | Cronbach's Alpha Coefficient |
|---|---|
| The reliability coefficient of the questions for (LPDI, HUAI, LTO, COLL, MAS, REST) | 0.825 |
| Low Power distance index LPDI; Long-term orientation LTO; Collectivism COLL; Masculinity MAS; Restraint REST; High Uncertainty avoidance Index HUAI | |

Source: Author's survey

Table 1 shows that Cronbach's alpha is 0.825 more than the minimum percentage 60%. This means that the responses of the variables are reliable for data analysis.

### 3.2. Normality test

The normality is an important test before starting the analysis data, to know if the data is distributed normally. Otherwise, it will lead to incorrect results. Therefore, if the normality assumptions meet the parametric testing has to be conducted (DAS - IMON 2016). Coefficients of skewness and kurtosis are one of the types of tests for normality (DAS - IMON 2016). Skewness measures the symmetry or asymmetry in the data (DAS - IMON 2016). The range of skewness to consider normal distribution is between -2 and +2 (ANDY 2000). Kurtosis measures the "tailedness" of the distribution. In other words, it is flatness or peakedness of distribution (DECARLO 1997), if the range of kurtosis is between ±2.58 the data is considered normal distribution (FIDELL ET AL. 2007). In the following Table 2 the Normality test of culture, corporate governance, and corporate performance.

**Table 2. Skewness and Kurtosis test of Culture, corporate governance, and corporate performance variables**

| Var. | Skewness | | Kurtosis | | Var. | Skewness | | Kurtosis | |
|---|---|---|---|---|---|---|---|---|---|
| | Stat. | Std. Error | Stat. | Std. Error | | Stat. | Std. Error | Stat. | Std. Error |
| LPDI | -1.016 | 0.186 | 0.583 | 0.369 | ITN | 104 | 1.071 | 0.237 | 1.827 |
| HUAI | -1.049 | 0.186 | 1.012 | 0.369 | ITM | 104 | 1.469 | 0.237 | 1.812 |
| LTO | -0.746 | 0.186 | 0.312 | 0.369 | BON | 104 | 0.460 | 0.237 | -0.734 |
| COLL | -0.631 | 0.186 | 0.817 | 0.369 | INDB | 104 | -1.810 | 0.237 | 1.366 |
| MAS | -0.564 | 0.186 | -0.552 | 0.369 | NCEOD | 104 | 1.753 | 0.237 | 1.127 |
| REST | -0.214 | 0.186 | -1.107 | 0.369 | LO | 104 | -0.231 | 0.237 | -0.287 |
| ACN | 104 | -0.193 | 0.237 | -1.691 | FO | 104 | 1.445 | 0.237 | 1.381 |
| ACM | 104 | 0.118 | 0.237 | -1.688 | GO | 104 | 1.992 | 0.237 | 1.212 |
| GCN | 104 | 1.097 | 0.237 | -0.021 | ROE | 104 | -0.279 | 0.237 | 0.057 |
| GCM | 104 | 1.010 | 0.237 | 1.542 | ROA | 104 | -1.371 | 0.237 | 1.657 |

Source: Author's survey

As shown in the above Table, the skewness and the Kurtosis values of each cultural corporate governance and corporate performance variables fall within the range ±1.96, is ±2.58 which means that that data is normally distributed.

### 3.3. Regression Analysis and Testing hypotheses

This section covers the empirical results of Models of the study and testing the hypotheses to determine the impact of each predictor HCL, CG on dependent variable CP. Regression analysis was used to investigate the impact of CG and culture HCL on CP in the Jordan context. For this purpose, the study uses the following models.

**The First Model M1:** Measures the individual impact of corporate governance CG on corporate performance CP that presented in section 3.3.1. M1 covers the first main hypothesis **H01**. ROE, ROA were tested in two separate models.

- **$H_0$1**: There is no significant relationship between corporate governance CG and corporate performance CP in Jordan context

$$CP = \alpha + \beta1\ (ACN) + \beta2(ACM) + \beta3(GCN) + \beta4(GCM) + \beta5(ITN) + \beta6(ITM) + \beta7\ (BON) + \beta8(INDB) + \beta9(NCEOD) + \beta10(LO) + \beta11(FO) + \beta12\ (GO) + Є$$

**The Second Model M2:** Measures the individual impact of Hofstede's cultural dimensions HCL on corporate performance CP without the presence of CG that presented in section 3.3.2. M2 covers the second main hypothesis **H02**. ROE, ROA were tested in two separate models.

- **H02**: There is no significant relationship between Hofstede's cultural dimensions HCL and corporate performance CP in Jordan context

$$CP = \alpha + \beta1(LPDI) + \beta2(LTO) + \beta3\ (COLL) + \beta4(MAS) + \beta5\ (REST) + \beta6\ (HUAI) + Є$$

**The Third Model M3**: Measures the impact of Hofstede's cultural dimensions HCL with the presence of corporate governance CG on corporate performance CP that presented in section 3.3.3. M3 covers the tested hypothesis **H03**. ROE, ROA were tested in two separate models.

- **H03**: There is no significant relationship between Hofstede's cultural dimensions HCL and corporate performance CP with the presence of corporate governance CG in Jordan context

$$CP = \alpha + \beta1(ACN) + \beta2(ACM) + \beta3(GCN) + \beta4(GCM) + \beta5(ITN) + \beta6(ITM) + \beta7\ (BON) + \beta8(INDB) + \beta9(NCEOD) + \beta10(LO) + \beta11(FO) + \beta12(GO) + \beta13(LPDI) + \beta14(LTO) + \beta15(COLL) + \beta16(MAS) + \beta17(REST) + \beta18(HUAI) + Є$$

**The Fourth Model M4:** Measures the impact of interaction between the CG and HCL CG*HCL on the CP, that represented in section 3.3.4. M4 covers the fourth main hypothesis **$H_0$4**. ROE, ROA were tested in two separate models.

- **H04**: There is no significant relationship between the interaction of corporate governance and Hofstede's cultural dimensions CG*HCL, and corporate performance CP in Jordan context

$$CP = \alpha + \beta1\ (CG) + \beta2\ (HCL) + \beta3\ (GC*HCL) + Є$$

**First of all the researcher highlighted the important explanations regarding the outputs of the model**

The results of model regression are presented separately into 4 sections according to research questions. Each regression model shows first the model of summary of R, $R^2$, Second, the F ratio in ANOVA test that defines the fitting of regression model. Thirdly, The unstandardized coefficients B and (t, Sig) of each predictor variable. The unstandardized coefficient B indicates how much change in (DV) (the amount is B) is predicted to occur per unit change in that independent variable when all other predictors (IVs) are held constant. Sig. (P-value) for each predictor used to test hypotheses, if the p-value < 0.1 this means statistically significant that leads to rejecting the null hypothesis and accepting the alternative hypothesis. The study adopted four main hypotheses. The results have been adopted at a significant level of 0.1. The regression models included the cultural dimensions of Jordan which were deduced from the questionnaire answers that are Low Power Distance LPDI; High Uncertainty avoidance HUAI; Long term orientation LTO; Collectivism COLL; Masculinity MAS, Restraint REST.

### 3.3.1. The Regression analysis results of Model 1 the individual impact of corporate governance CG on ROE - ROA

Table 3 presents Regression analysis results of Model 1 the individual impact CG on ROE and ROA. This model covers the first main hypothesis **$H_0$1**. ROE, ROA were tested in two separate models. This hypothesis constitutes of two sub-main hypotheses (H01a, H01b) for ROE, ROA, each hypothesis includes sub-hypotheses for each CG dimensions. H01a is presented in section 1, and H01b is presented in section 2.

**Table 3. The Regression analysis results of Model 1 the individual impact of corporate governance CG on ROE – ROA**

| Dependent variables | Independent variables | Unstandardized Coefficient B | t-statistic | Sig | Collinearity statistic | |
|---|---|---|---|---|---|---|
| | | | | | Tolerance | VIF |
| ROE | (Constant) | -.019 | -.405 | .686 | | |
| | ACN | -.002 | -.097 | .923 | .456 | 2.193 |
| | ACM | .053 | 2.337** | .022 | .334 | 2.990 |
| | GCN | .058 | 2.122** | .037 | .334 | 2.991 |
| | GCM | .033 | 1.115 | .268 | .516 | 1.940 |
| | ITN | .040 | .680 | .498 | .325 | 3.082 |
| | ITM | -.049 | -.512 | .610 | .540 | 1.851 |
| | BON | .006 | 1.724* | .088 | .439 | 2.279 |
| | INDB | -.104 | -2.216** | .029 | .669 | 1.495 |
| | NCEOD | -.057 | -2.745*** | .007 | .741 | 1.349 |
| | LO | .050 | 1.806* | .074 | .794 | 1.260 |
| | FO | -.031 | -.458 | .648 | .872 | 1.147 |
| | GO | -3.549 | -2.003** | .048 | .894 | 1.118 |
| | R | .725 | | | | |
| | R-square | .525 | | | | |
| | F-statistics | 8.394700 | | | | |
| | F (Sig) | .000 | | | | |
| ROA | (Constant) | -.008 | -.292 | .771 | | |
| | ACN | -.008 | -.653 | .515 | .456 | 2.193 |
| | ACM | .029 | 2.198** | .030 | .334 | 2.990 |
| | GCN | -.001 | -.046 | .964 | .334 | 2.991 |
| | GCM | .027 | 1.535 | .128 | .516 | 1.940 |
| | ITN | -.026 | -.752 | .454 | .325 | 3.082 |
| | ITM | -.026 | -.467 | .642 | .540 | 1.851 |
| | BON | .003 | 1.597 | .114 | .439 | 2.279 |
| | INDB | -.041 | -1.485 | .141 | .669 | 1.495 |
| | NCEOD | -.031 | -2.524** | .013 | .741 | 1.349 |
| | LO | .018 | 1.094 | .277 | .794 | 1.260 |
| | FO | -.008 | -.195 | .846 | .872 | 1.147 |
| | GO | -.851 | -.819 | .415 | .894 | 1.118 |
| | R | .528 | | | | |
| | R-square | .279 | | | | |
| | F-statistics | 2.930502 | | | | |
| | F (Sig) | .002 | | | | |

Return on Equity ROE; Return on Assets ROA; Audit Committee Members ACN; Audit Committee Meeting ACM; Governance Committee Meeting GCM; Governance Committee Members GCN; Information Technology Committee Members ITN; Information Technology; Committee Meeting ITM; Board Size BON; Independent of Board of Directors INDB; Non CEO Duality NCEOD; Largest Ownership LO; Foreign Ownership FO; Government Ownership GO; *Statistically significant at the 0.10 level, ** Statistically significant at the 0.05 level, *** Statistically significant at the 0.01 level

Source: Author's survey

**1. The Regression analysis results of Model 1 the impact of corporate governance CG on ROE**

Table 3 shows the results of model 1 consist of DV ROE and the IV corporate governance CG. The R 0.725 measures the level quality of prediction of ROE, $R^2$ the explanatory power of the model is 0.525. In other words, the percentage of variance in ROE that explained by the independent variables. Therefore, the model explains 52.5% of the change that occurs in ROE. The ANOVA test (F ratio) measures the fitness of data. The F-statistics is 8.395 at a significant level .000. This means that the explanatory power of the model is statistically significant at the level of significance .000, PV < 0.01. This indicated the regression model is a good fit for the data. Which means the CG predicts statistically and significantly the ROE, in other words, that the existence of the CG impact significantly on ROE.

**Testing of hypotheses**

This section tests the first main hypothesis H01, First sub-hypothesis H01a based on the P. value (Sig) of each CG dimensions.

- ***$H_0$1****: There is no significant relationship between corporate governance CG and corporate performance CP in Jordan context*
  - ***$H_0$1a*****:** *There is no significant relationship between corporate governance CG and ROE in Jordan context*

***$H_0$1a1*****: (ACN),** ***$H_0$1a2*****: (ACM),** ***$H_0$1a3*****: (GCN),** ***$H_0$1a4*****: (GCM),** ***$H_0$1a5*****: (ITN),** ***$H_0$1a6*****: (ITM),** ***$H_0$1a7*****: (BON),** ***$H_0$1a8*****: (INDB),** ***$H_0$1a9*****: (NCEOD),** ***$H_0$1a10*****: (LO),** ***$H_0$1a11*****: (FO),** ***$H_0$1a12*****: (GO)**

As shown in Table 3, P. value (Sig.) of each ACM, GCN, INDB, NCEOD, GO, BON, LO are 0.022, 0.037, 0.029, 0.007, 0.048, 0.088, 0.074 respectively which is lower than the significance at 0.01, 0.05, 0.1 level. This means that the alternative hypothesis is accepted and the null hypothesis is rejected for these CG dimensions. Thus, the improved hypotheses become:

***H1a2****: There is significant relationship between corporate governance ACM and ROE*

***H1a3****: There is significant relationship between corporate governance GCN and ROE*

***H1a7****: There is significant relationship between corporate governance BON and ROE*

***H1a8****: There is significant relationship between corporate governance INDB and ROE*

***H1a9****: There is significant relationship between corporate governance NCEOD and ROE*

***H1a10****: There is significant relationship between corporate governance LO and ROE*

***H1a12****: There is significant relationship between corporate governance GO and ROE*

Regarding the P. value (Sig.) of other CG dimensions ACN, GCM, ITN, ITM, FO are larger than the significance at 0.1 level. Therefore, the null hypothesis is accepted and the alternative hypothesis is rejected.

Finally, the equation to Predict model 1 ***ROE*** from ***Corporate governance*** is:

***ROE*= -0.019 + (-0.002 X *ACN*) + (0.053 X *ACM*) + (0.058 X *GCN*) + (0.033 X *GCM*) + (0.040 X *ITN*) + (-0.049 X *ITM*) + (0.006 X *BON*) + (-0.104 X *INDB*) + (-0.057 X *NCEOD*) + (0.050 X *LO*) + (-0.031 X *FO*) + (-3.549 X *GO*) + €**

This multiple regression model is used to predict ROE from CG. That indicated the variables statistically significantly predicted ROE are *ACM, GCN, INDB, NCEOD, GO, BON, LO* these variables added statistically significantly to the prediction. Except *ACN, GCM, ITN, ITM, FO*.

**2. The Regression analysis results of Model 1 the impact of corporate governance CG on ROA**

Table 3 shows the results of model 1 consist of DV ROA and the IV corporate governance CG.

The R 0.528, $R^2$ 0.279 is the percentage of variance in ROA that is explained by the independent variables. Therefore, the model explains 27.9% of the change that occurs in ROA. The F-statistics is (2.931) at a significant level .002. This means that the explanatory power of the model is statistically significant at the level of significance .002, PV < 0.01. This indicated the regression model is a good fit for the data. Which means the CG predicts statistically and significantly the ROA, in other words, the existence of the CG impact on ROA.

**Testing of hypotheses**

This section tests the first main hypothesis H01, second sub-hypothesis H01b based on the P. value (Sig) of each CG dimensions.

- ***$H_0$1****: There is no significant relationship between corporate governance CG and corporate performance CP in Jordan context*
- ***$H_0$1b*****:** There is no significant relationship between corporate governance CG and ROA in Jordan context

***$H_0$1b1*****: (ACN),** ***$H_0$1b2*****: (ACM),** ***$H_0$1b3*****: (GCN),** ***$H_0$1b4*****: (GCM),** ***$H_0$1b5*****: (ITN),** ***$H_0$1b6*****: (ITM),** ***$H_0$1b7*****: (BON),** ***$H_0$1b8*****: (INDB),** ***$H_0$1b9*****: (NCEOD),** ***$H_0$1b10*****: (LO),** ***$H_0$1b11*****: (FO),** ***$H_0$1b12*****: (GO)**

As shown in Table 3, P. value (Sig.) of both ACM, NCEOD are 0.03, 0.013 respectively which is lower than the significance at 0.05 level. This means that the alternative hypothesis is accepted and the null hypothesis is rejected for these CG dimensions. Thus, the improved hypotheses become:

***H1b2****: There is significant relationship between corporate governance ACM and ROA*

***H1b9****: There is significant relationship between corporate governance NCEOD and ROA*

Regarding the P. value (Sig.) of other CG dimensions ACN, GCN, GCM, ITN, ITM, BON, INDB, LO, FO, GO are larger than the significance at 0.1 level. Therefore, the null hypothesis is accepted and the alternative hypothesis is rejected.

Finally, the equation to Predict model 1 ***ROA*** from ***Corporate governance*** is:

***ROA= -0.008 + (-0.008 X ACN) + (0.029 X ACM) + (-0.001 X GCN) + (0.027 X GCM) + (-0.026 X ITN) + (-0.026 X ITM) + (0.003 X BON) + (-0.041 X INDB) + (-0.031 X NCEOD) + (0.018 X LO) + (-0.008 X FO) + (-0.851 X GO) + €***

This multiple regression model is used to predict ROA from Corporate governance. Which indicated the variables significantly predicted ROA are ACM, NCEOD these variables added significantly to the prediction. Except ACN, GCN, GCM, ITN, ITM, BON, INDB, LO, FO, GO.

**3. Discussion results of Model 1 the impact of corporate governance CG on ROE - ROA**

Table 3 presents the results of the regressions analysis of model 1, the impact of CG on CP the results show that there is a significant statistical impact of CG on ROE and ROA. Where PV < 0.01. The results show there is a significant relationship between corporate governance CG (ACM, GCN, INDB, NCEOD, GO, BON, LO) and ROE. While there is no significant relationship between ACN, GCM, ITN, ITM, FO, and ROE. Furthermore, there is a significant relationship between CG (ACM, NCEOD) and ROA. While there is no significant relationship between ACN, GCN, GCM, ITN, ITM, BON, INDB, LO, FO, GO, and ROA. Regarding the explanation of the results of the CG dimensions. First, the study presents the variables of BOD, namely; Non-CEO duality NCEOD, Number of board members BON, Independence of BOD INDB), and Board committees BC, later the study present the explanation of the result of the ownership structures OWS as follows:

- **Board committees BC**

ACM, GCN, and ROE present a positive and significant coefficient, where the P. value 0.022,

0.037 and β =0.053, .058, p < 0.05. These results are inconsistent with the first hypothesis ***$H_0$1a2***, ***$H_0$1a3***. While, the results show that the coefficients of ACN, GCM, ITN, ITM are insignificant with ROE where the P. value is larger than 0.1. This result is consistent with the first hypothesis ***$H_0$1a1***, ***$H_0$1a4***, ***$H_0$1a5, $H_0$1a6***. Regarding ROA the results show that ACM and ROA present a positive and significant coefficient, where the P. value 0.03, and β = 0.029, p < 0.05. These results are inconsistent with the first hypothesis ***$H_0$1b2***. While, the results show that the coefficients of ACN, GCN, GCM, ITN, ITM are insignificant with ROA where the P. value is larger than 0.1. This result is consistent with the first hypothesis ***$H_0$1b1***, ***$H_0$1b3***, ***$H_0$1b4***, ***$H_0$1b5***, ***$H_0$1b6.***

The results above show there is a positive relationship between the Audit Committee meetings ACM and ROE, ROA. And there is a positive relationship between governance committee members GCN and ROE, This means these committees are useful and the communication is well between the members that help to take beneficial decisions for the company. However, although this positive relationship most companies except banks are not committed to the rules of ACM, GCN. This requires imposing strict instructions to adhere to the formation of the required committees.

While, there is no relationship between the Audit Committee members ACN, governance committee meetings GCM, and ROE, ROA. This is due to the lack of good CG practices in the BOD that are implemented in countries with a high level of CG. This is evidenced by the lack of commitment of most of diversified financial and real estate companies to the rules of ACN, GCM. In addition, despite the existence of these committees, they may not perform their work successfully. This is due to, the members do not have the expertise and the required skills, where each committee has a specific specialization that stipulated by the Jordanian codes of CG. Furthermore, the reason for the absence of this relationship could be the characteristics of BOD, such as gender, educational level, and nationality. Regarding the IT Committee members ITN and IT Committee meetings ITM the results show that all sectors are not committed to these rules except the banking sector. This is due to these instructions implemented recently in the banking sector and are not binding to other sectors.

- **Number of board members BON**

BON and ROE present a positive and significant coefficient, where the P. value 0.088 and β =0.006, p < 0.1. This result does not support the first hypothesis ***H01a7***. Also, the results show that BON is insignificant with ROA where the P. value is larger than 0.1. This result supports the first hypothesis ***H01b7***. The literature has shown controversy about the ideal board size. The results of this research show that there is a positive and significant relationship between BON and CP. it is notable that the previous studies indicated that the companies in Jordan as an emerging market are characterized by the largest OWS, most of them formed from families, which leads to existing some inexperienced members that can reduce the power of BOD and firm performance (MARASHDEH 2014). However, the results of this research show that there is a positive relationship between BON and CP, the explanation may be due to the members of BOD are interested and they seek to make good decisions for the company. This reflects the new trends in the attitudes of BOD towards the company this is clear in the separation between the CEO and chairman and the increasing of independence. However, there is an absence of commitment to this rule in diversified financial and real estate sectors. This reflects the weakness of the significance of the positive relationship that was recorded at 0.1. This indicates although the BOD attempt to make good decisions there are some obstacles that hinder them, especially the chairman, in terms of making the right decisions for the company. Furthermore, the results show there are some diversified financial services, and real estate companies are not committed to the rules of the minimum numbers of the BON. Therefore, the authorities should impose strict instructions to force companies to adhere to the required numbers of BON.

- **Independence of BOD INDB**

INDB and ROE present a negative and significant coefficient, where the P. value 0.029 and β = -.104, p<0.05. The results do not support the first hypothesis ***$H_0$1a8***. Also, the results show that INDB is insignificant with ROA where the P. value is larger than 0.1. This result supports the first hypothesis ***$H_0$1b8***. The independence of BOD INDB of the financial sector in Jordan recorded a high percentage with average 90%, despite this high percentage compared with previous years, the result show there is a negative relationship between INDB and CP. This result is inconsistent with the agency theory that supports independence and assumes that non-executive members NEM are an effective control mechanism that improves CP. Therefore, this negative result between INDB and CP could be explained that external members are not chosen according to the rules of Jordanian CG codes, which stipulated the BOD must be qualified and has sufficient knowledge and experience and be familiar with the legislation, rights, and duties of BOD. In addition, it could be there is no cooperation between the NEM and the other members, especially with the CEO, in setting policies and strategic decisions. Furthermore, the independent members may exploit their positions towards their desired own goal, especially that most of them are members of other companies and do not commit to full-time with the company. Which reduces their knowledge of daily operations. With the possibility of biased towards achieving the interests of a particular company at the expense of another company. More importantly, the BOD are allocated bonuses, while they are not held accountable for any failure in duties. This requires the concerned authorities to ensure that companies adhere to these instructions when selecting NEM. Besides imposing fines for any failure in duties.

- **Non-CEO duality NCEOD**

**Non-CEO duality** NCEOD presents a negative and significant coefficient with ROE and ROA. Where the P. value 0.007, 0.013, and β = -.057, -.031, p<0.05, the results do not support the first hypotheses ***$H_0$1a9***, ***$H_0$1b9***. The results show 91% of the companies in the financial sector are committed to the separation between CEO and CM. Despite this high percentage compared with previous years, the results show there is a negative relationship between NCEOD and CP. These results contradict the agency theory, which supports the separation between CEO and CM, and preferred the separation in the large firms, to increase the independence that eliminates the agency problems by avoiding ineffective observing that is represented by the same person, thus increasing CP. While, this result is consistent with the duality supporters, and stewardship theory that proposes that that duality is suitable in small companies where it provides managers with cohesive control and reduces organization costs, and enhances performance (FECHNER - DALTON 1991). In Jordan's context as emerging markets, 91% of the companies are committed to the separation between CEO and CM. This percentage is better compared with the previous years, CEO duality was 66% (non- Duality 33%), (MARASHDEH 2014); Non-duality 76% in the banking sector (AL-MANASEER ET AL. 2012). This reflects that Jordanian company is on its way out of the family-owned companies where the CM was the same CEO. However, the result of this study shows that separation has a negative relationship with CP, despite the noticeable increase in the percentage of companies' commitment to separation, this means that Jordanian companies adhere to the separation rules outwardly and not on the ground, where the combination is applied implicitly. Besides Jordan is an emerging country and most of its companies are small and operate in a simple business environment. Therefore, duality may be considered better, especially in light the most of the companies' resources are limited. Therefore, this negative result of the separation may be explained that the CEO may act as the CM by making decisions for the company, which indicates that there is weak oversight of the CM on directors and the managers.

Anywise, Jordan is striving to develop and enter the competitive world and to change owned-family business type, this is cleared in the high commitment to separation, and high

independence in BOD. Therefore, the concerned authorities must urge companies to implement the separation in accordance with the principles of CG, especially in large and complex companies, and give CM sufficient authority to exercise their powers to control the members of BOD and management. As well as to avoid making decisions that serve the personal benefits of managers.

- **Largest ownership LO**

LO and ROE present a positive and significant coefficient, where the P. value 0.074 and (β =.058, p < 0.1. This result does not support the first hypothesis ***$H_0$1a10***. Also, the results show that (LO) is insignificant with ROA where the P. value is larger than 0.1. This result supports the first hypothesis ***$H_0$1b10***. The result of the current study confirmed that most companies have the largest OWS with average 60%. However, there is a positive relationship between LO and CP. This result compatibility with (SHLEIFER - VISHNY 1997) who stated that in emerging markets, LO represents a critical tool of CG as these countries are characterized by weak CG. However, the positive relationship of LO with CP in Jordanian companies means that LO have an effective role in CG and seek to effective control, feel the responsibility, and bear risks and costs, and this prompts them to make decisions that positively affect the company. This result could also mean a low in favoritism among LO. Anywise, the positive relationship is considered modest at a significant level 0.1, which indicates that there are some obstacles. That may be the presence of some major shareholders seeking to achieve some of their personal interests. Besides, the lack of adherence to the rules of CG.

- **Foreign ownership FO**

The results show there is no relationship between FO and ROE, ROA, where the P. value is larger than 0.1. This result supports the first hypotheses ***H01a11***, ***H01b11***. The explanation of this result is may be due to the low participation of foreigners in the financial sector companies in Jordan, This clears in the low percentage with average 3%. Compared to previous years that were 7%. This means the investment of foreigners in financial sectors is declining. This may be due to the current political and economic conditions in the region, particularly, after receiving refugees from various Arab countries. Further, Jordan is considered an emerging market characterized by weak governance, besides, Jordan suffers from the lack of sufficient local sources of funding, and weak infrastructure, however, foreign investors prefer to invest in such countries. Many actions could be taken to attract foreign investors, particularly, Jordan has advantages such as stability in the political circumstances, a safe atmosphere, besides good financial and monetary strategies. Furthermore, Jordan had worked to provide the appropriate legislative environment for foreign investment.

- **Government ownership GO**

GO and ROE present a negative and significant coefficient, where the P. value 0.048 respectively and β = -3.549, p<0.05. This result does not support the first hypothesis ***$H_0$1a12***. Also, the results show that GO is insignificant with ROA where the P. value is larger than 0.1. This result supports the first hypothesis ***$H_0$1a12***. In the Jordan context, the results show GO is negative and significantly related to CP, this can be explained by the low percentage of GO in Jordanian companies. Besides, government representatives may interfere mainly in the decisions of BOD, and they may have their personal interests or have a good relationship with the CEO. Furthermore, the GO may motivate managers to achieve their personal benefits such as using company resources (assets) for political aims. This leads to agency problems and increased fraud and reduced profitability. This is consistent with the agency theory that indicated the government increases the agency problem and may negatively affect CP. However, In the Jordan context, the local studies on GO are very rare this requires further future studies to determine the nature of the impact of GO on CP.

### 3.3.2. The Regression analysis results of Model 2 the individual impact of Hofstede's cultural dimensions HCL on ROE, ROA

Table 4 presents the Regression analysis results of Model 2 the individual impact of Hofstede's cultural dimensions HCL on ROE, ROA without the presence of corporate governance CG. This model covers the second main hypothesis **$H_0$2**. ROE, ROA were tested in two separate models. This hypothesis constitutes of two sub-main hypotheses (H02a, H02b) for ROE and ROA, each hypothesis includes sub-hypotheses for each HCL dimensions. H02a is presented in section1, and H02b is presented in section 2.

**Table 4. The Regression analysis results of Model 2 the individual impact of Hofstede's cultural dimensions HCL on corporate performance ROE, ROA without presence CG**

| Dependent variables | Independent variables | Unstandardized Coefficients B | t-statistic | Sig | Collinearity statistic | |
|---|---|---|---|---|---|---|
| | | | | | Tolerance | VIF |
| ROE | (Constant) | .079 | 1.318 | .190 | | |
| | LPDI | -.010 | -1.073 | .286 | .598 | 1.671 |
| | LTO | -.002 | -.255 | .799 | .605 | 1.654 |
| | COLL | .012 | 1.140 | .257 | .842 | 1.188 |
| | MAS | -.011 | -1.755* | .082 | .982 | 1.018 |
| | REST | .012 | 1.883* | .063 | .921 | 1.086 |
| | HUAI | -.020 | -2.021** | .046 | .964 | 1.037 |
| | R | .326 | | | | |
| | R-square | .106 | | | | |
| | F-statistics | 1.917367 | | | | |
| | F (Sig) | .086 | | | | |
| | Durbin- | 1.350071 | | | | |
| ROA | (Constant) | .045 | 1.555 | .123 | | |
| | LPDI | .001 | .244 | .808 | .598 | 1.671 |
| | LTO | -.005 | -1.183 | .240 | .605 | 1.654 |
| | COLL | .001 | .249 | .804 | .842 | 1.188 |
| | MAS | -.005 | -1.646 | .103 | .982 | 1.018 |
| | REST | .003 | 1.088 | .279 | .921 | 1.086 |
| | HUAI | -.008 | -1.629 | .107 | .964 | 1.037 |
| | R | .264 | | | | |
| | R-square | .07 | | | | |
| | F-statistics | 1.207569 | | | | |
| | F (Sig) | .309 | | | | |
| | Durbin- | 1.623226 | | | | |

Return on Equity ROE; Return on Assets ROA; Low Power distance index LPDI; Long-term orientation LTO; Collectivism COLL; Masculinity MAS; Restraint REST; High Uncertainty avoidance Index HUAI
*Statistically significant at the 0.10 level
** Statistically significant at the 0.05 level
*** Statistically significant at the 0.01 level

Source: Author's Survey

### 1. The Regression analysis results of Model 2 the impact individual impact of Hofstede's cultural dimensions HCL on ROE without presence CG

Table 4 shows the results of model 2 consist of DV ROE and the IV cultural dimensions HCL. The R 0.326, R square 0.106 is the percentage of variance in dependent variables that is explained by the independent variables. Therefore, the model explains 10.6% of the change that occurs in ROE. The F-statistics is 1.92 at a significant level .086. This means that the explanatory power of the model is statistically significant at the level of significance .086, PV

< 0.1. This indicated the regression model is a good fit for the data. Which means the HCL predicts statistically and significantly ROE, in other words, that the existence of the HCL impact significantly on ROE.

**Testing of hypotheses**

This section tests the second main hypothesis H02, First sub-hypothesis H02a based on the P. value (Sig) of each HCL dimensions.

- **$H_0$2**: *There is no significant relationship between Hofstede's cultural dimensions HCL and corporate performance CP in Jordan context*
- **$H_0$2a**: There is no significant relationship between Hofstede's cultural dimensions HCL and ROE In Jordan context

***$H_0$2a1:* (LPDI), *$H_0$2a2:* (LTO), *$H_0$2a3:* (COLL), *$H_0$2a4:* (MAS), *$H_0$2a5:* (REST), *$H_0$2a6:* (HUAI)**

As shown in Table 4, P. value (Sig.) of each MAS, REST, HUAI are .082, .063, .046 respectively which is lower than the significance at 0.05, 0.1 level. This means that the alternative hypothesis is accepted and the null hypothesis is rejected for these HCL dimensions. Thus, the improved hypotheses become:

***H2a4:*** *There is significant relationship between MAS and ROE*

***H2a5:*** *There is significant relationship between REST and ROE*

***H2a6:*** *There is significant relationship between HUAI and ROE*

Regarding the P. value (Sig.) of other HCL dimensions LPDI, LTO, COLL are larger than the significance at 0.1 level Therefore, the null hypothesis is accepted and the alternative hypothesis is rejected.

Finally, the equation to Predict model 2 ***ROE*** from ***cultural dimensions*** is:

***ROE*= 0.079 + (-0.01 X LPDI) + (-0.002 X LTO) + (0.012 X COLL + (-0.011 X MAS) + (0.012 X REST) + (-0.020 X HUAI) + Є***

This multiple regression model is used to predict ROE from cultural dimensions. That indicated the variables statistically significantly predicted ROE are *MAS, REST, HUAI* these variables added statistically significantly to the prediction. Except *LPDI, LTO, COLL*.

**2. The Regression analysis results of Model 2 the impact individual impact of Hofstede's cultural dimensions HCL on ROA without presence CG**

Table 4 shows the results of model 2 consist of DV ROA and the IV cultural dimensions HCL. The R 0.264, R square 0.07 is the percentage of variance in dependent variables that is explained by the independent variables. Which is too small this means HCL does NOT affect the ROA. Therefore, the model does not explain the change that occurs in ROA. The F-statistics is 1.21 at a significant level .309. This means that the explanatory power of the model is NOT statistically significant at the level of significance .309, PV > 0.1. Which means the HCL does not predict statistically and significantly ROA, in other words, the HCL does not impact significantly on ROA.

**Testing of hypotheses**

This section tests the second main hypothesis H02, second sub-hypothesis H02b based on the P. value (Sig) of each HCL dimensions.

- **$H_0$2**: *There is no significant relationship between Hofstede's cultural dimensions HCL and corporate performance CP in Jordan context*
- **$H_0$2b**: There is no significant relationship between Hofstede's cultural dimensions HCL and ROA in Jordan context

***H02b1: (LPDI), H02b2: (LTO), H02b3: (COLL), H02b4: (MAS), H02b5: (REST), H02b6: (HUAI)***

As shown in Table 4, P. value (Sig.) of each LPDI, LTO, COLL, MAS, REST, HUAI are .808, .240, .804, .103, .279, .107 respectively which is larger than the significance at 0.1 level. This means that the alternative hypothesis is rejected and the null hypothesis is accepted.

Finally, the equation to Predict model 2 ***ROA*** from ***cultural dimensions*** is:

***ROA= 0.045 + .001 X LPDI) + (-.005 X LTO) + (.001 X COLL + -.005 X MAS) + (.003 X REST) + (-.008 X HUAI) + €***

This multiple regression model is used to predict ROA from cultural dimensions. That indicated the HCL variables do not predict statistically and significantly ROA.

**3. Discussion results of Model 2 the individual impact of Hofstede's cultural dimensions HCL on ROE - ROA**

Table 4 shows the results of the regressions analysis of model 2 the individual impact of Hofstede's cultural dimensions HCL on the corporate performance CP without the presence CG. The results show that the P. value (Sig.) of each MAS, HUAI are lower than the significance at 0.05, 0.1 level. This means there is a significant relationship between MAS, REST, HUAI and ROE. These results are inconsistent with the second hypothesis ***H02a4***, ***H02a5, H02a6***. Where the MAS and HUAI have a negative relationship with ROE, while REST has a positive relationship. While, the P. value (Sig.) of LPDI, LTO, COLL are larger than the significance at 0.1 level Therefore, there is no significant relationship between these dimensions and ROE. These results are consistent with the second hypothesis ***H02a1, H02a2, H02a3.*** Furthermore, the results show that the P. value (Sig.) of each LPDI, LTO, COLL, MAS, REST, HUAI are .808, .240, .804, .103, .279, .107 respectively which is larger than the significance at 0.1 level. This means that there is no significant relationship between these dimensions and ROA. These results are consistent with the second hypothesis ***H02b1, H02b2, H02b3, H02b4, H02b5, H02b6.***

The results were explained per each cultural dimension as follows. Jordan society tends to be **Masculine** this means Jordan gives males greater roles in leadership rather than females. The results of the current study show that masculinity negatively affects ROE. These results are consistent with (IRFAN 2016) who shows there is a positive relationship between femininity and performance in Sri Lanka that means the MAS is affecting negatively CP. While there is no relationship with ROA. This was confirmed by (MARTINS - LOPES 2016) who indicated that low and high masculinity did not impact profitability. The negative impact of MAS on ROE, can be explained that females may be more committed, and accountable than males, so females may have a positive impact on CP as well the presence of women on BOD improves governance and CP (HASSAN ET AL. 2015). However, although the Jordanian society is somewhat masculine, and women are primarily responsible for home activities according to norms. It is notable, the number of females is close to number of males, besides there are many females who obtained a high level of education in addition to the presence of women in some high and government positions, which indicates that Jordanian society is already in a transformational stage. Therefore, the concerned authorities must give females better opportunities in the future to involve them in leadership and business.

Jordan society oriented to **HUAI**, the result shows that there is a negative relationship between HUAI and ROE in financial sectors. This may be explained that the people in HUAI cultures people maintain inelastic codes of belief, and are intolerant toward unconventional behavior. Furthermore, people struggle the innovation. Where the respondents' in the financial sector revealed that they do not prefer new ideas and prefer the current situation, anyway there are some respondents who have some spirit of adventure and risk. Further, in this culture, the managers in times of unsteadiness try to keep business rather than increase profitability. In addition, employees are not rewarded in most companies in Jordan, which increases the state of uncertainty and the employee feels insignificant in the company, which increases the conflict

between employees which reduces CP. Therefore, it is necessary to encourage them, by rewarding them which reduces uncertainty cases, which will reflect positively on CP. This result is consistent with (IRFAN 2016) who found LUAI is contributing to the success of organization performance. And (MARTINS - LOPES 2016) that countries with LUAI have higher profitability. However, in Jordan's context, HUAI, is not correlated with ROA.

Jordan has a **Restraint** culture. The satisfaction of needs is constrained by social norms and they do not care about leisure time. The management does not allow the employee to satisfy the basic and natural human desires related to the enjoyment of life. This is confirmed by the majority of respondents' answers in the financial sector. As well, the World Happiness Report Index showed that Jordan retreated to the 90th position globally and 10th in the Arab world. However, REST is correlated positively with ROE in Jordan context. This result is inconsistent with (MARTINS - LOPES 2016) who indicated that the countries with higher Indulgence have higher ROE, ROA. The positive effect in Jordan context, can be explained due to most Jordanians are young, and are well-educated and highly skilled, besides, they love work, participate in decision-making, this will reflect positively on CP despite they are living in a restraint culture.

While the results show that there is no significant relationship between LPDI, LTO, COLL, and ROE. The absence of this relationship may explain the fact that there are several factors that may influence the effects of these cultural dimensions on CP. Regarding **LPDI**, Jordan is LPDI culture this result is confirmed by (ALKAILANI 2012; SABRI 2012). This means there are no hierarchical and there are equalities in the companies. Furthermore, the people feel younger and their opinions are taken in decisions. More, importantly, Jordanian workers are characterized as skillful, and well-educated which impacts power distance. However, the results show there is no relationship between LPDI and ROE, ROA. These results are inconsistent with (IRFAN 2016; MARTINS - LOPES 2016). The explanation of the absence of a relationship may be due to the presence of noticeable corruption and personal interest opportunities. Besides the huge difference in salaries between employees and high management, especially the BOD, in addition to the presence of some respondents who prefer a hierarchy, where they showed that they could not take decisions without consulting the direct manager.

According to **LTO**, Jordanian society cares about the future and is interested in investment. In addition, Jordanian culture is LPDI and most Jordanians are young and participate in decision-making. Alongside Jordan's efforts focused on modern education as a means to prepare for future. This helps them achieve the goals carefully. Moreover, (SAWALHA 2011) showed that 80% of companies implement strategic planning. Further, (AL-QUDAH ET AL. 2020) indicated there is a positive relationship between strategic planning and CP. However, the results of this study showed that there is no relationship between LTO and CP. The interpretation of this result in the Jordan context may be due to the companies preparing strategic plans, but do not implement these plans on the ground or these plans may be ineffective since it is not prepared by the specialist and not based on scientific foundations. Furthermore, there is a lack of participation of the high management and BOD in the strategic planning, and not caring about technology and the research development.

Finally, Jordan is a collective society, this is confirmed by (HOFSTEDE 1984, 2001, 2010; ALKAILANI ET AL. 2012; AL-HARSH 2008; SABRI 2012). Where individuals belong to a group and the great loyalty to jobs. The results show that there is no relationship between COLL and ROE, ROA. In my view, the absence of a relationship could be due to that despite the existence of a family relationship in the company there is a possibility of poor communication between management and workers besides the weakness in the decision-making process. Besides, the presence of respondents who do not like to work within a team.

### 3.3.3. The Regression analysis results of Model 3 the impact of corporate governance CG and Hofstede's cultural dimensions HCL on ROE, ROA

Table 5 presents the results of Model 3 the impact of CG and HCL on ROE, ROA. This model covers the Third main hypothesis **$H_03$**. This hypothesis constitutes of two sub-main hypotheses (H03a, H03b) for ROE and ROA, each hypothesis includes sub-hypotheses for each HCL dimensions. H03a is presented in section 1, and H03b is presented in section 2.

**Table 5. The Regression analysis results of Model 3 impact of CG and HCL on ROE, ROA**

| Dependent variables | Independent variables | | Unstandardized Coefficient B | t-statistic | Sig | Collinearity statistic | |
|---|---|---|---|---|---|---|---|
| | | | | | | Tolerance | VIF |
| ROE | Corporate Governance/ CG | Constant | -.015 | -.204 | .839 | | |
| | | ACN | -.001 | -.059 | .953 | .424 | 2.35 |
| | | ACM | .047 | 1.950* | .054 | .300 | 3.33 |
| | | GCN | .053 | 1.869* | .065 | .319 | 3.13 |
| | | GCM | .038 | 1.231 | .222 | .480 | 2.08 |
| | | ITN | .057 | .916 | .362 | .295 | 3.39 |
| | | ITM | -.096 | -.943 | .348 | .487 | 2.05 |
| | | BON | .007 | 1.913* | .059 | .411 | 2.43 |
| | | INDB | -.104 | -2.088** | .040 | .601 | 1.66 |
| | | NCEOD | -.059 | -2.678** | .009 | .676 | 1.47 |
| | | LO | .049 | 1.670* | .099 | .736 | 1.35 |
| | | FO | -.027 | -.382 | .704 | .829 | 1.20 |
| | | GO | -3.509 | -1.903* | .060 | .846 | 1.18 |
| | Hofstede's cultural /HCL | LPDI | .006 | .740 | .462 | .505 | 1.98 |
| | | LTO | -.002 | -.240 | .811 | .573 | 1.74 |
| | | COLL | .004 | .386 | .701 | .687 | 1.45 |
| | | MAS | -.008 | -1.656 | .101 | .905 | 1.10 |
| | | REST | .001 | .280 | .780 | .754 | 1.32 |
| | | HUAI | -.003 | -.383 | .703 | .849 | 1.17 |
| | R | | .739 | | | | |
| | R-square | | .546 | | | | |
| | F-statistics | | 5.673787 | | | | |
| | F (Sig) | | .000 | | | | |
| ROA | Corporate Governance/CG | Constant | .021 | .507 | .614 | | |
| | | ACN | -.010 | -.780 | .438 | .424 | 2.35 |
| | | ACM | .029 | 2.050** | .043 | .300 | 3.33 |
| | | GCN | -.006 | -.355 | .724 | .319 | 3.13 |
| | | GCM | .027 | 1.491 | .140 | .480 | 2.08 |
| | | ITN | -.010 | -.286 | .776 | .295 | 3.39 |
| | | ITM | -.055 | -.945 | .347 | .487 | 2.05 |
| | | BON | .004 | 2.123** | .037 | .411 | 2.43 |
| | | INDB | -.052 | -1.806* | .074 | .601 | 1.66 |
| | | NCEOD | -.034 | -2.654*** | .010 | .676 | 1.47 |
| | | LO | .023 | 1.357 | .179 | .736 | 1.35 |
| | | FO | -.010 | -.259 | .797 | .829 | 1.20 |
| | | GO | -.745 | -.701 | .485 | .846 | 1.18 |
| | Hofstede's cultural /HCL | LPDI | .007 | 1.708* | .091 | .505 | 1.98 |
| | | LTO | -.006 | -1.402 | .164 | .573 | 1.74 |
| | | COLL | -.002 | -.309 | .758 | .687 | 1.45 |
| | | MAS | -.004 | -1.550 | .125 | .905 | 1.10 |
| | | REST | -.002 | -.500 | .618 | .754 | 1.32 |
| | | HUAI | -.002 | -.320 | .750 | .849 | 1.17 |
| | R | | .577 | | | | |
| | R-square | | .333 | | | | |
| | F-statistics | | 2.356886 | | | | |
| | F (Sig) | | .005 | | | | |

Return on Equity ROE; Return on Assets ROA; Audit Committee Members ACN; Audit Committee Meeting ACM; Governance Committee Meeting GCM; Governance Committee Members GCN; Information Technology Committee Members ITN; Information Technology Committee Meeting ITM; Board Size BON; Independent of BOD INDB; Non CEO Duality NCEOD; Largest Ownership LO; Foreign Ownership FO; Government Ownership GO; Low Power distance LPDI; Long-term orientation LTO; Collectivism COLL; Masculinity MAS; Restraint REST; High Uncertainty avoidance HUAI;*Statistically significant at the 0.10 level, ** Statistically significant at the 0.05 level, *** Statistically significant at the 0.01 level

Source: Author's own, 2021

**1. The Regression analysis results of Model 3 the impact of corporate governance CG and Hofstede's cultural dimensions HCL on ROE**

Table 5 shows the results of the regressions analysis of model 3 consist of DV ROE, and the IV HCL with the presence of independent variables CG. The R 0.739, R square 0.546. The model explains 54.6% of the change that occurs in ROE. The F-statistics is 5.674 at a significant level .000. This means that the explanatory power of the model is statistically significant at the level of significance .000, PV < 0.01. This indicated the regression model is a good fit for the data. This means the CG and HCL predict statistically and significantly ROE, in other words, that the presence of CG and the HCL impact on ROE.

**Testing of hypotheses**

This section tests the Third main hypothesis H03, First sub-hypothesis H03a based on the P. value (Sig) of each HCL dimensions.

- **H03**: *There is no significant relationship between Hofstede's cultural dimensions HCL and corporate performance CP with the presence of corporate governance CG in Jordan context*
- **H03a**: There is no significant relationship between Hofstede's cultural dimensions HCL and ROE with the presence of corporate governance CG in Jordan context

***H03a1: LPDI, H03a2: HUAI, H03a3: LTO, H03a4: COLL, H03a5: MAS, H03a6: REST***

As shown in Table 5, the P. value (Sig.) of LPDI, LTO, COLL, MAS, REST, HUAI are 0.462, 0.811, .701, 0.101, 0.780, 0.703 respectively which is larger than the significance at 0.1 level. This means that these cultural dimensions HCL do not predict statistically and significantly ROE, in other words, there is no relationship between HCL and ROE with the presence of corporate governance. Therefore, the alternative hypothesis is rejected and the null hypothesis is accepted for these HCL dimensions. However, the results show that there is a relationship between CG and CP (ROE).

Finally, the equation to Predict model 3 ***ROE*** from ***Corporate governance CG and Hofstede's cultural dimensions HCL*** is:

***ROE= -0.015+ (-0.001 X ACN) + (0.047 X ACM) + 0.053 X GCN) + (0.038 X GCM) + (0.057 X ITN) + (-0.096 X ITM) + (0.007 X BON) + (-0.104 X INDB) + (-0.059 X NCEOD) + (0.049 X LO)+ (-0.027 X FO)+ (-3.509 X GO)+ (0.006 X LPDI)+ (-0.002 X LTO)+ (0.004X COLL+ (-0.008 X MAS)+ (0.001X REST + (-0.003 X HUAI) + €***

This multiple regression model is used to predict ROE from Corporate governance CG and Hofstede's cultural dimensions HCL. This model indicated that the cultural variables are NOT statistically and significantly predicted ROE where the PV is larger than the significance at 0.1 level, while the CG variables ACM, GCN, BON, LO, GO, INDB, NCEOD are 0.054, 0.065, 0.059, 0.099, 0.06, 0.04, 0.009 respectively, is lower than the significance at .01, 0.05, 0.1 level are statistically significantly predicted ROE.

**2. The Regression analysis results of Model 3 the impact of corporate governance CG and Hofstede's cultural dimensions HCL on ROA**

Table 5 shows the results of the regressions analysis of model 3 consist of DV ROA, the IV CG, and the IV HCL. The R 0.577, R square 0.333 is the percentage of variance in dependent variables that is explained by the independent variables, the model explains 33.3% of the change that occurs in ROA. The F-statistics is 2.357 at a significant level .005. This means that the explanatory power of the model is statistically significant at the level of significance .005, PV < 0.01. This indicated the regression model is a good fit for the data. Which means the CG and HCL predict statistically and significantly ROA, in other words, the existence of CG and HCL impact on ROA.

**Testing of hypotheses**

This section tests the Third main hypothesis H03, second sub-hypothesis H03b based on the P. value (Sig) of each HCL dimensions.

- **$H_0$3**: *There is no significant relationship between Hofstede's cultural dimensions HCL and corporate performance CP with the presence of corporate governance CG in Jordan context*
- **$H_0$3b**: There is no significant relationship between Hofstede's cultural dimensions HCL and ROA with the presence of corporate governance CG in Jordan context

***$H_0$3b1:*** **LPDI,** ***$H_0$3b2:*** **HUAI,** ***$H_0$3b3:*** **LTO,** ***$H_0$3b4:*** **COLL,** ***$H_0$3b5:*** **MAS,** ***$H_0$3b6:*** **REST**

As shown in Table 5, P. value (Sig.) of LTO, COLL, MAS, REST, HUAI are 0.164, 0.758, 0.125, 0.618, 0.750 respectively which is larger than the significance at 0.1 level. This means that these cultural dimensions do not predict statistically and significantly ROA, in other words, there is no relationship between these cultural dimensions HCL and ROA with the presence of corporate governance CG. Therefore, the alternative hypothesis is rejected and the null hypothesis is accepted for these HCL dimensions. However, the results show that there is a relationship between CG and ROA. While the P. Value (Sig) of LPDI is 0.091 which is lower than the significance at 0.1 level. This means there is a statistically and significant relationship between LPDI and ROA with the presence of corporate governance CG. Therefore, the alternative hypothesis is accepted and the null hypothesis is rejected for these HCL dimensions. Thus, the improved hypothesis becomes:

***H3b1:*** *There is significant relationship between LPDI and ROA with the presence of corporate governance CG*

Finally, the equation to Predict model 3 ***ROA*** from ***Corporate governance CG and Hofstede's cultural dimensions HCL*** is:

***ROA*= 0.021+ *(-0.010* X *ACN)* + (*0.029* X *ACM)* + *(-0.006* X *GCN)* + *(0.027* X *GCM)* + *(-0.010* X *ITN)* + *(-0.055* X *ITM)* + *(0.004* X *BON)* + *(-0.052* X *INDB)* + *(-0.034* X *NCEOD)* + *(0.023* X *LO)+ (-0.01* X *FO)+ (-0.745* X *GO)+ (0.007 X LPDI)+ (-0.006 X LTO)+ (-0.002 X COLL+ (-0.004 X MAS)+ (-0.002 X REST + (-0.002 X HUAI) + €***

This multiple regression model is used to predict ROA from corporate governance CG and Hofstede's cultural dimensions HCL. This model indicated that the cultural variables are NOT statistically significantly predicted ROA except LPDI, and the CG variables ACM, BON, NCEOD, INDB are 0.043, 0.037, 0.01, 0.074 respectively that is lower than the significance at 0.05, 0.1 level are statistically significantly predicted ROA.

**3. Discussion results of Model 3 the impact of Hofstede's cultural dimensions HCL on ROE-ROA with presence CG**

Table 5 shows the results of the regressions analysis of model 3 the impact of Hofstede's cultural dimensions HCL on ROE, ROA with the presence of corporate governance CG. The results show that the P. value (Sig.) of cultural dimensions HCL are larger than the significance at 0.1 level. This means that HCL do not predict statistically and significantly ROA and ROE, in other words, there is no relationship between the cultural dimensions of HCL and ROA, ROE with the presence of corporate governance. These results are consistent with the ***H03a1***, ***H03a2, H03a3, H03a4, H03a5, H03a6, H03b2, H03b3, H03b4, H03b5, H03b6***. While the P. Value (Sig) of LPDI is 0.091 which is lower than the significance at 0.1 level. This means there is a positive statistical and significant relationship between LPDI and ROA with the presence of CG. This result is consistent with the ***H03b1***. However, the results show that there is a relationship between CG and ROE, ROA.

Indeed good CG is affected by the national culture. In the Jordan context, the presence of

corporate governance reduces the impact of the cultural dimensions HCL that weaken the relationship between HCL and CP. This means that CG in Jordan is still weak particularly, in the diversified financial and real estate. Despite the progress in adherence to CG principles. This can be explained to the nature of the systems that govern Jordanian markets as emerging markets and the nature of weak corporate governance in these markets, in addition, Jordan is distinguished by being in the stage of development, the previous reasons may play a role in reducing the effects of culture. Where cultural characteristics have limited importance in emerging countries so corporate governance must play an important in these markets. Furthermore, the reason may be due to the weakness of some CG mechanisms and not a commitment to them in some companies, such as the number of (members and meetings) of Audit, Governance, and IT Committees, board size BON, Board Independence INDB, and the separation between CM and CEO. More importantly, the reason for this weak relationship, poor governance in some companies, which reduces the influence of culture, where some business owners still prefer to run their own companies. Therefore, Jordanian social customs and traditions may influence and weaken the CG. Failure to implement these mechanisms rules or commitment to them whit not applying them on the ground may impact negatively on the mission of BOD during the implementation tasks.

In summary, the presence of CG reduces the impact of culture in the Jordanian context. However, there is the additional explanatory power of HCL dimensions in explaining the variances in CP with the presence of CG.

### 3.3.4. The Regression analysis result of Model 4 the impact of the interaction of corporate governance CG and Hofstede's cultural dimensions HCL (CG*HCL) on ROE, ROA

This model examines the impact of the interaction of each of six cultural dimensions with the CG dimensions by using Regression analysis, each cultural dimension conducted in a separate model, in the sub-models 4a (1-6), 4b (1-6), the interaction variables (CG*LPDI), (CG*HUAI), (CG*LTO), (CG*COLL), (CG*MAS), (CG*REST) were tested in a separated regression model, each model consist of CG, culture dimension, and the interaction variable. To create the interaction between CG and HCL. First to avoid the multicollinearity problems and high correlation between CG and HCL the researcher modification the variables relative to their mean. Then multiplying the center CG with the center cultural dimensions CG*HCL.

Tables 6, 7 presents the Regression analysis result of Model 4. This model covers the Fourth main hypothesis **$H_0$4**. ROE, ROA were tested in two separate models. This hypothesis constitutes of two sub-main hypotheses (H04a, H04b) for ROE and ROA, each hypothesis includes sub-hypotheses for each HCL dimension. H04a is presented in section1, and H04b is presented in section 2.

The fourth main hypothesis as follows:

- **$H_0$4**: There is no significant relationship between the interaction of corporate governance and Hofstede's cultural dimensions CG*HCL, and corporate performance CP in Jordan context
- **$H_0$4a**: There is no significant relationship between the interaction of corporate governance and Hofstede's cultural dimensions CG*HCL, and ROE in Jordan context
- **$H_0$4b**: There is no significant relationship between the interaction of corporate governance and Hofstede's cultural dimensions CG*HCL, and ROA in Jordan context

### 1. The Regression analysis result of Model 4 the impact of CG* HCL on ROE

Table 6 presents the Regression analysis result of Model 4 the impact of interaction of corporate governance and Hofstede's cultural dimensions CG*HCL on ROE.

**Table 6. The Regression analysis result of Model 4 the impact of CG*HCL on ROE**

| Variables | Model 4a1 ROE | | Model 4a2 ROE | | Model 4a3 ROE | | Model 4a4 ROE | | Model 4a5 ROE | | Model 4a6 ROE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | sig T-test | B | sig T-test | B | sig T-test | B | sig T-test | B | sig T-test | B | sig T-test | B |
| LPDI | 0.50 | 0.004 | | | | | | | | | | |
| CG* LPDI | 0.03** | 0.021 | | | | | | | | | | |
| HUAI | | | 0.44 | -0.006 | | | | | | | | |
| CG* HUAI | | | 0.04** | 0.020 | | | | | | | | |
| LTO | | | | | 0.98 | 0.000 | | | | | | |
| CG* LTO | | | | | 0.02** | 0.023 | | | | | | |
| COLL | | | | | | | 0.63 | 0.004 | | | | |
| CG* COLL | | | | | | | 0.05* | 0.018 | | | | |
| MAS | | | | | | | | | 0.16 | -0.007 | | |
| CG* MAS | | | | | | | | | 0.13 | .014 | | |
| REST | | | | | | | | | | | 0.95 | 0.00 |
| CG* REST | | | | | | | | | | | 0.04** | 0.02 |
| F-statistics | 8.051 | | 7.916 | | 8.091 | | 7.904 | | 7.871 | | 7.908 | |
| Sig F-test | 0.000 | | 0.000 | | 0.000 | | 0.000 | | 0.000 | | 0.000 | |
| R-squared | 0.538 | | 0.533 | | 0.539 | | 0.533 | | 0.532 | | 0.533 | |

Return on Equity ROE; Return on Assets ROA; Corporate governance CG; Low Power distance index LPDI; Long-term orientation LTO; Collectivism COLL; Masculinity MAS; Restraint REST; High Uncertainty avoidance Index HUAI;
*Statistically significant at the 0.10 level, ** Statistically significant at the 0.05 level, *** Statistically significant at the 0.01 level

Source: Author's Survey

Table 6 shows the results of the regressions analysis of model 4 the impact of CG*HCL on ROE. The ANOVA test (F ratio) measures the fitness of data. The (sig of F- test) for each model (4a1-4a6) is 0.000. This means that the explanatory power of each model is statistically significant at the level of significance .000, PV < 0.01. This indicated the regression model is a good fit for the data. Which means the CG*HCL predict statistically and significantly ROE, in other words, that the CG*HCL impact on ROE. Regarding the cultural dimensions LPDI, HUAI, LTO, COLL, MAS, REST the P. value are larger than the significance at 0.1 level which mean there is no relationship between these dimensions and ROE, these results are similar to the results of model 3, which indicated there is no relationship between the HCL and ROE with the presence of CG.

**Testing of hypotheses**

This section tests the Fourth main hypothesis H04, First sub-hypothesis H04a based on the P. value (Sig) of each HCL dimensions.

- **H04**: *There is no significant relationship between the interaction of corporate governance and Hofstede's cultural dimensions CG*HCL, and corporate performance CP in Jordan context*
- **$H_0$4a**: There is no significant relationship between the interaction of corporate governance and Hofstede's cultural dimensions CG* HCL, and corporate performance ROE in Jordan context

***H04a1: CG*LPDI), H04a2: (CG*HUAI), H04a3: (CG*LTO), H04a4: (CG*COLL), H04a5:* (CG*MAS), *$H_0$4a6:* (CG*REST)**

As shown in Table 6 the P. value (Sig.) of CG*HCL namely, CG*LPDI, CG *HUAI, CG *LTO, CG *COLL, CG *REST are 0.03, 0.04, 0.02, 0.05, 0.04 which means are lower than the significance at 0.05, 0.1 level. This means the interaction between these dimensions and the CG predict statistically and significantly ROE, in other words, this interaction impact on ROE. Therefore, the alternative hypothesis is accepted and the null hypothesis is rejected. Thus, the improved hypotheses become:

***H4a1:*** *There is significant relationship between CG*LPDI and ROE in Jordan context*

***H4a2:*** *There is significant relationship between CG*HUAI, and ROE in Jordan context*

***H4a3:*** *There is significant relationship between CG*LTO, and ROE in Jordan context*

***H4a4:*** *There is significant relationship between CG*COLL, and ROE in Jordan context*

***H4a6:*** *There is significant relationship between CG*REST, and ROE in Jordan context*

While the P. value (Sig.) of CG*MAS is (0.13), is larger than the significance at 0.1 level. Therefore, the alternative hypothesis is rejected and the null hypothesis is accepted.

## 2. The Regression analysis result of Model 4 the impact of CG* HCL on ROA

Table 7 presents the Regression analysis result of Model 4 the impact of CG*HCL on ROA.

**Table 7. The Regression analysis result of Model 4 the impact of CG*HCL on ROA**

| Variables | Model 4b1 ROA | | Model 4b2 ROA | | Model 4b3 ROA | | Model 4b4 ROA | | Model 4b5 ROA | | Model 4b6 ROA | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | sig T-test | B | sig T-test | B | sig T-test | B | sig T-test | B | sig T-test | B | sig T-test | B |
| LPDI | 0.43 | 0.003 | | | | | | | | | | |
| CG* LPDI | 0.06* | 0.011 | | | | | | | | | | |
| HUAI | | | 0.32 | -0.005 | | | | | | | | |
| CG*HUAI | | | 0.12 | 0.009 | | | | | | | | |
| LTO | | | | | 0.26 | -0.004 | | | | | | |
| CG*LTO | | | | | 0.03 ** | 0.013 | | | | | | |
| COLL | | | | | | | 0.78 | -0.001 | | | | |
| CG*COLL | | | | | | | 0.095* | 0.009 | | | | |
| MAS | | | | | | | | | .16 | -0.004 | | |
| CG*MAS | | | | | | | | | 0.045 ** | 0.011 | | |
| REST | | | | | | | | | | | 0.25 | -0.003 |
| CG*REST | | | | | | | | | | | 0.065 * | 0.011 |
| F-statistics | 2.857 | | 2.730 | | 2.977 | | 2.710 | | 3.034 | | 2.877 | |
| Sig F- test | 0.002 | | 0.003 | | 0.001 | | 0.003 | | 0.001 | | 0.002 | |
| R-squared | 0.292 | | 0.283 | | 0.301 | | 0.281 | | 0.305 | | 0.294 | |

Return on Equity ROE; Return on Assets ROA; Corporate governance CG; Low Power distance index LPDI; Long-term orientation LTO; Collectivism COLL; Masculinity MAS; Restraint REST; High Uncertainty avoidance Index HUAI;
*Statistically significant at the 0.10 level, ** Statistically significant at the 0.05 level, *** Statistically significant at the 0.01 level

Source: Author's Survey

Table 7 shows the results of the regressions analysis of model 4 the impact of CG*HCL on ROA. The ANOVA test (F ratio) measures the fitness of data. The (sig of F- test) for each model (4b1-4b6) is lower than the significance at 0.01 level. This means that the explanatory power of each model is statistically and significant, this indicated the regression model is a good fit for

the data. Which means the CG*HCL predict statistically and significantly ROA, in other words, the CG*HCL impact on ROA. Regarding the cultural dimensions LPDI, HUAI, LTO, COLL, MAS, REST the P. value are larger than the significance at 0.1 level which mean there is no relationship between these dimensions and ROA, these results are similar to the results of model 3, which indicated there is no relationship between HCL and ROA with the presence of CG.

**Testing of hypotheses**

This section tests the Fourth main hypothesis H04, second sub-hypothesis H04b based on the P. value (Sig) of each HCL dimensions.

- **H04**: *There is no significant relationship between the interaction of corporate governance and Hofstede's cultural dimensions CG*HCL,, and corporate performance CP in Jordan context*
- **$H_0$4b**: There is no significant relationship between the interaction of corporate governance and Hofstede's cultural dimensions CG* HCL, and corporate performance ROA in Jordan context

***H04b1:*** **(CG*LPDI),** ***H04b2:*** **(CG*HUAI),** ***H04b3:*** **(CG*LTO),** ***H04b4:*** **(CG*COLL),** ***H04b5:*** **(CG*MAS),** ***H04b6:*** **(CG*REST)**

As shown in Table 7 the P. value (Sig.) of CG *HCL namely, CG*LPDI, CG*LTO, CG*COLL, CG*MAS, CG*REST are 0.06, 0.03, 0.095, 0.045, 0.065 which means are lower than the significance at level 0.05, 0.1. This means the interaction between these dimensions and CG predict statistically and significantly ROA, in other words, this interaction impact on ROA. Therefore, the alternative hypothesis is accepted and the null hypothesis is rejected. Thus, the improved hypotheses become:

***H4b1:*** *There is significant relationship between CG*LPDI, and ROA in Jordan context*

***H4b3:*** *There is significant relationship between CG*LTO, and ROA in Jordan context*

***H4b4:*** *There is significant relationship between CG*COLL, and ROA in Jordan context*

***H4b5:*** *There is significant relationship between CG*MAS, and ROA in Jordan context*

***H4b6:*** *There is significant relationship between CG*REST, and ROA in Jordan context*

While the P. value (Sig.) of HUAI*CG is 0.12, is larger than the significance at 0.1 level. Therefore, the alternative hypothesis is rejected and the null hypothesis is accepted.

### 3. Discussion results of Model 4 the impact of interaction of corporate governance and Hofstede's cultural dimensions CG*HCL on ROE - ROA

Tables 6, 7 show the results of the regressions analysis of model 4 consists of dependent variables ROE, ROA, and the interaction of corporate governance and Hofstede's cultural dimensions CG*HCL with the presence of independent variables HCL and independent variables CG. Regarding the DV ROE, the results show that (sig of F- test) for each sub-model (4a1-4a6) is 0.000 at the level of significance .000, PV < 0.01. This means the CG*HCL predict statistically and significantly ROE, in other words, that the CG*HCL impact on ROE. The P. value (Sig.) of the interaction variables CG*LPDI, CG *HUAI, CG *LTO, CG *COLL, CG *REST are lower than the significance at 0.05, 0.1 level. This means the interaction between these dimensions and CG predict statistically and significantly ROE, in other words, these interaction variables impact on ROE. Where the coefficients beta show there is a positive and significant relationship between CG*LPDI, CG *HUAI, CG *LTO, CG *COLL, CG *REST, and ROE. These results are inconsistent with the fourth hypothesis ***$H_0$4a1, $H_0$4a2, $H_0$4a3, $H_0$4a4, $H_0$4a6.*** While the P. value of CG*MAS is (0.126) larger than the significance at 0.1 level. Therefore there is no significant relationship between CG*MAS and ROE. This result is inconsistent with the fifth hypothesis ***$H_0$4a5.***

Regarding the DV ROA. Further, the results show that the (F Sig.) for each sub-model (4b1-4b6) is lower than the significance at 0.01 level. This means the CG*HCL predict statistically and significantly ROA, in other words, that the CG*HCL impact on ROA. The P. value (Sig.) of the interaction variables CG*LPDI, CG *LTO, CG *COLL, CG*MAS, CG *REST are lower than the significance at level 0.05, 0.1. This means the interaction variables predict statistically and significantly ROA, in other words, these interaction variables impact on ROA. Where the coefficients beta show there is a positive and significant relationship between CG*LPDI, CG *LTO, CG *COLL, CG *MAS, CG *REST, and ROA. These results are inconsistent with the fourth hypothesis ***$H_0$4b1, $H_0$4b3, $H_0$4b4, $H_0$4b5, $H_0$4b6.*** While, the p. value of CG *HUAI is (0.115) larger than the significance at 0.1 level. Therefore, there is no significant relationship between CG *HUAI and ROA. This result is inconsistent with the second hypothesis ***$H_0$4b2.***

Regarding the cultural dimensions LPDI, HUAI, LTO, COLL, MAS, REST the results show there is no relationship between these dimensions and ROE, ROA, these results are similar to the results of model 3, except LPDI where there is a relationship between LPDI and ROA with the presence of CG. The results have explained per each interaction variable as follows:

**CG*LPDI**

The results show that there is a positive and significant relationship between CG*LPDI and ROE, ROA at levels 0.05, 0.10 respectively. These results are inconsistent with the ***$H_0$4a1, $H_0$4b1.*** This means if the CG is good the CP is positively correlated with LPDI. Models 2, 3 show that there is no relationship between LPDI and CP. However, the coefficient of CG*LPDI is positive and significant with CP. This indicates that the LPDI culture in the Jordan context has a higher CP if the corporate governance of companies is good. As a good CG reducing the agency problems. It is notable that the LPDI does not have an impact on CP whether individual or with the presence of CG, while CG*LPGI has a positive impact on CP, which means that LPDI can be positive on CP if the CG is good. It is worth saying, there are no studies that investigated the impact of CG*PDI on corporate performance CP whether in the Jordan context or globally. Therefore, future studies must be conducted in this regard to enrich the literature.

**CG *HUAI**

The results show there is a positive and significant relationship between CG*HUAI and ROE at level 0.05. This result is inconsistent with the $H_0$4a2. While the results show there is no significant relationship between CG*HUAI and ROA. This result is consistent with the $H_0$4b2. This means if the CG is good the ROE is positively correlated with HUAI. Previously the results show in model 2 that there is a negative relationship between HUAI and ROE without the presence of CG. While model 3 show there is no relationship between HUAI and CP with the presence of CG. Nevertheless, the coefficient of CG*HUAI is positive and significant with ROE. Indeed in HUAI cultures, the companies prefer substitute CG practices by focusing on information exchange and monitoring between insiders, which weakens CG and thus CP. However, the results show in the Jordan context there is a positive relationship between CG*HUAI and ROE, which means that HUAI can be positive on ROE if the CG is good. Regarding the previous studies of the interaction between the CG and HUAI, there is a lack of studies in this regard, (GRIFFIN ET AL. 2014) indicated there is a positive correlation between the interaction of CG in terms of transparent disclosure and HUAI with ROA. While there is a negative interaction between CG in terms of corporate policy and HUAI with ROA. Furthermore, this result could be consistent with (Bae et al., 2010) who found CG*HUAI has a positive impact on dividends, that means in countries with HUAI, and good CG, companies tend to pay more dividends, into the face of ambiguous circumstances. While (OLIVEIRA 2016) indicated that CG*HUAI has no impact on dividends. The result of dividends could conform to profitability since dividends are one of the good CG indicators, and are used as evidence of company's performance (BAE ET AL. 2010), besides the dividend payout influence

positively on CP (MUREKEFU - OUMA 2012). In the Jordan context, the high HUAI has high ROE when the CG is good.

**CG*LTO**

The results show there is a positive and significant relationship between CG*LTO and ROE, ROA at level 0.05. These results are inconsistent with the ***$H_0$4a3 $H_0$4b3***. This means if the CG is good the CP is positively correlated with LTO, previously the results show in models 2, 3 that there is no relationship between LTO and CP whether without or with the presence of CG. However, the coefficient of CG*LTO is positive and significant. This indicates that the LTO culture in the Jordan context has a higher CP if the corporate governance of companies is good. It is notable that the LTO does not have an impact on CP, whether individual or with the presence of CG, while CG*LTO has a positive impact on CP, which means that LTO can be positive if the CG is good. Regarding the previous studies of the interaction variable CG*LTO, there is a lack of studies in this regard. However, this result is consistent somewhat with (SHI - VEENSTRA 2015) found there is a positive interaction between corporate social performance CSP and high long-term orientation. This is confirmed by (HALKOS - SKOULOUDIS 2017) who pointed out that Long-term orientation LTO influences positively on CSR index. Since CSR refers to responsibility toward society, and CSP is considered as an extension of CSR concept that focuses on the actual results (CARROLL 2018) as well as CSR is joining in the CG mechanisms (VERMA - KUMAR 2012). Therefore, LTO cultures have good corporate governance leads to an increase the corporate performance.

**CG*COLL**

The results show there is a positive and significant relationship between CG*COLL and ROE, ROA at level 0.1. These results are inconsistent with the ***$H_0$4a4, $H_0$4b4***. This means if the CG is good the CP is positively correlated with COLL, previously the results show in models 2, 3, that there is no relationship between COLL and CP without or with the presence of CG. However, the coefficient of CG*COLL is positive with CP. This indicates that the COLL culture in the Jordan context has a higher CP if the CG of companies is good. It is notable that the COLL does not have an impact on CP, whether individual or with the presence of CG, while CG*COLL has a positive impact on CP, which means that COLL can be positive if the CG is good, Regarding the previous studies of the interaction variable CG*COLL, there is a lack of studies in this regard. (GRIFFIN ET AL. 2014) found that the positive correlation between CG in terms of (corporate policy) and CP is weaker in individualistic cultures. This result contrasts the Anglo-American model that emphasizes individual values, which aligns the interests between management and owners, thus motivating management to increase CP. (SHI - VEENSTRA 2015) Found the interaction of corporate social performance CSP with individualism as a moderating variable negatively influences corporate financial performance CFP. Since in high individualistic countries if the companies have high CSP the governing legality will be low levels, CSP is considered an extension of the corporate social responsibility CSR concept and CSR joining in the Corporate Governance mechanisms (VERMA - KUMAR 2012). This leads to predict that the interaction of individualistic cultures with CG negatively influences CP. This is consistent with the result of this study that shows there is a positive relationship between CG*COLL and CP.

**CG*MAS**

The results show there is a positive and significant relationship between CG*MAS and ROA at level 0.05. This result is inconsistent with the ***$H_0$4b5.*** While the results show there is no significant relationship between CG*MAS and ROE. This result is consistent with the ***$H_0$4a5***. This means if the CG is good the ROA is positively correlated with MAS, previously the results show in model 2 that there is a negative relationship between MAS and CP without the presence of CG. While model 3 show there is no relationship between MAS and CP with the presence of

CG. However, the coefficient of CG*MAS is positive and significant with ROA. This indicates that MAS culture in the Jordan context has a higher CP if the corporate governance of companies is good. It is notable that the MAS has no impact on CP with the presence of CG, while CG*MAS has a positive impact on CP ROA, which means that MAS can be positive if the CG is good. This result could consistent with (OLIVEIRA 2016; BAE ET AL. 2012) who found in high MAS cultures pay more dividends when CG is better. Since dividends are one of the good CG indicators and influence positively on CP (MUREKEFU - OUMA 2012). Therefore, the result of dividends could conform to profitability, thus it can be concluded that high MAS in Jordan context have high ROE when the CG is good.

**CG*REST**

The results show there is a positive and significant relationship between CG*REST and ROE, ROA at levels 0.05, 0.10. These results are inconsistent with the ***$H_0$4a6, $H_0$4b6***. This means if the CG is good the CP is positively correlated with REST, previously the results show in model 2 that there is a positive relationship between REST and CP without the presence of CG. While model 3 shows there is no relationship between REST and CP with the presence of CG. However, the coefficient of CG*REST is positive with CP. This indicates that REST culture in the Jordan context has a higher CP if the CG of companies is good. It is notable that the REST has no impact on CP with the presence of CG, while the individual impact of REST without the presence of CG or CG*REST has a positive impact on ROA, which means that REST can be positive on CP whether individual or with the interaction with CG. This result is somewhat consistent with (SHI - VEENSTRA, 2015) who indicate there is a negative interaction between corporate social performance CSP and indulgence that negatively influences corporate financial performance CFP. In high indulgent cultures, if the companies have high CSP the governing legality will be low levels. Because the stakeholders don't prefer CSP since it is costing and minimizing the value of investments. Since CSP is considered an extension of the corporate social responsibility CSR concept that focuses on the actual results (CARROLL 2018) and CSR joining in the CG mechanisms (VERMA - KUMAR 2012). Therefore, the interaction between CG and indulgence will negatively influence CP. This mean that the interaction between CG and REST will positively influence CP.

Furthermore, the result could consistent with (OLIVEIRA 2016) who found there is a negative correlation between dividend payout and indulgence IND when governance quality is better, in other words, the interaction of indulgence IND and CG, impact negatively on dividends because good CG reduces the influence of agents and directors, thus high IND cultures and high CG decreases the dividend payout ratio, so, decrease CP. Since dividend payout positively correlated with CP (MUREKEFU - OUMA 2012). Therefore, REST culture has a positive correlation with CP when the CG is good, in other words, the CG*REST impact positively on CP. In any case, the results of this study show that REST is positively correlated to CP in the Jordan context, without the presence of CG, or with CG*REST. This means that a restrictive environment REST motivates Jordanian workers to work well, and stimulates them to fulfill their duties to the company, which enhances CP.

In the light of the above, it is notable that the interaction of most of the cultural dimensions with CG (CG*HCL), except MAS and UAI, are correlated positively with CP, which means that CG is somewhat good in the Jordan context - Although Jordan is characterized by weak CG - this progress in CG is confirmed by the results of this study. However, it is notable that there is still a weakness in commitment to the principles of CG.

# 4. CONCLUSION AND RECOMMENDATIONS

## 4.1. Conclusion and Comparison between the Regression Models

The study aims to examine the impact of culture and corporate governance on the performance of Jordanian companies, Based on the data analysis and the discussion the study concluded that there is a significant impact of corporate governance on CP Model 1. However, the result shows that there is a discrepancy in the level of implementation of CG principles in the financial sectors. Where the banks' sector is the most sector committed to implementing the principles of CG and has the highest CP. Model 2 shows there is an impact of HCL (HUAI, MAS, REST) on CP, without the presence of CG. On the other hand Model 3 shows there is no impact of all HCL (LPDI, HUAI, LTO, COLL, MAS, REST) on CP, with the presence of CG. This result indicates that in the Jordan context, the presence of corporate governance CG reduces the impact of the cultural dimensions HCL that weaken the relationship between the HCL and CP. This may due to the nature of the systems that govern Jordanian markets as emerging markets, as well as Jordan being in the stage of development. This reflects that CG in Jordan is still weak particularly, in the diversified financial services and real estate. However, the results indicated that there is an additional explanatory power of HCL dimensions in explaining the variances in CP with the presence of CG.

Furthermore, Model 4 shows there is a positive impact on CP when each cultural dimension interacted with CG, except MAS and HUAI. This means these cultural dimensions can be a positive impact on CP if the CG is good. This reflects that CG is somewhat good - Although poor CG in the Jordan as an emerging country- this progress in CG is confirmed by the results of current study compared with the past time. However, this positive impact is still somewhat modest, since it is at a significant level of 0.1 for some interaction variables. The reasons could be due to the lack of full commitment to the principles of CG as well as there is a discrepancy in the level of implementation of CG principles in the financial sectors. Thus, the relationship between culture and CP may differ depending on the strength of CG in each sector. In addition, the reasons may be due to Jordanian companies still having a conflict of interest, this appears in the negative relationship of the CG dimensions (Independence INDB, and the separation NCEOD) with the CP. Indeed, these conflicts of interest could threaten the governance, cultures, compliance of ethical standards, as a result, leads to corruption.

Anywise, may the presence of motivating controlling factors for example (leverage, company size), could enhance these results, which requires conducting future studies in the same field for looking into such factors. Indeed, to the best of the researcher's knowledge, there are no studies that investigated the impact of the interaction variables CG*HCL on corporate performance CP whether in the Jordan context or globally. Therefore, future studies must be conducted in this regard to enrich the literature.

More important the results show that interaction between culture HCL and corporate governance CG (CG*HCL) has the largest explanatory power in explaining the variances in corporate performance CP in model 4 compared with model 1 (corporate governance) and model 2 (HCL dimensions), where ($R^2$) in the model 1 the presence of CG alone is 0.525, 0.279 for ROE, ROA respectively, and the ($R^2$) in the model 2 the presence of HCL alone is .106, 0.07 for ROE, ROA respectively, while ($R^2$) in Model 4 (4a, 4b) with the presence of interaction variables (CG*HCL) is .538, .533, .539, .533, .532, .533 For ROE, and .292, .283, .301, .281, .305, .294 for ROA (See Table 8). This implies that the explanatory power that explains the variance of CP is greater in Model 4 with the presence of interaction variables (CG*HCL). In the following, Table 8 shows the comparison between the Regression Models. Further, It is worth saying here, that REST is positively correlated to CP in the Jordanian context, whether, without the presence of CG, or with CG*REST. This means that a REST environment motivates

Jordanian workers to loyal to the company, even though they don't have an indulgent environment, which positively affects CP.

**Table 8. Comparison between the Regression Models**

| | Model 1 | Model 2 | Model 3 | Model 4a1 | Model 4a2 | Model 4a3 | Model 4a4 | Model 4a5 | Model 4a6 |
|---|---|---|---|---|---|---|---|---|---|
| | ROE | ROE | ROE | ROE | ROE | ROE | ROE | ROE | ROE |
| $R^2$ | .525 | .106 | .546 | .538 | .533 | .539 | .533 | .532 | .533 |
| | Model 1 | Model 2 | Model 3 | Model 4b1 | Model 4b2 | Model 4b3 | Model 4b4 | Model 4b5 | Model 4b6 |
| | ROA | ROA | ROA | ROA | ROA | ROA | ROA | ROA | ROA |
| $R^2$ | .279 | .07 | .333 | .292 | .283 | .301 | .281 | .305 | .294 |

Source: Author's survey

### 4.2. Managerial implications

The Jordanian economy has faced many political obstacles recently, which led to a decline in economic growth, where the government was exposed to spending huge expenditures on refugees from Arab countries. These bad political and economic conditions have negatively affected the results of companies, and this is evident by the decrease in the ROE and ROA, for the last five years, which reflected negatively on foreign investment in Jordanian companies. More importantly, the Jordanian environment faces obstacles in the implementation of good CG mechanisms, where there is no full commitment to the principles of CG in the financial sector, for example, failure to adhere to the rules related to committees (Audit, governance, and IT), and lack of separation between the CEO and the CM, besides not adhering to the rules of BOD formations, which encourages opportunities to exploit the personal interests of some BOD. These problems could be solved by focusing on selecting the BOD based on the scientific and practical experiences and hiring managers with contracts linking their incentives to the company's performance. Besides focusing on selecting the committees, for example, the members of the audit committee must have a scientific qualification or a professional certificate in accounting, finance. The members of IT committee must have experience in the field of Information Technology. Where the audit committee is considered one of the most important controlling tasks Of BOD.

Furthermore, there is a multiplicity of laws and regulations of the governance and a conflicts of some articles in the Jordanian Companies Law, so the concerned authorities should raise the degree of adherence to the principles of CG. With the necessity to focus on professional conduct, accountability, and ethical compliance that could impact on the compliance of CG, Therefore, it should be sitting special principles and establishing a concerned authority for controlling the compliance. And urging the companies to issue reports in this regard. This leads to ensuring effective implementation of CG and thus improving CP since CG is a critical factor in enhancing the effectiveness of performance, and market performance.

It is worth saying here, that Jordanian banks are the most sector are committed to implementing the principles of CG, so it has the highest CP, Also the highest percentage of the Foreign OWS, compared to other sectors. In addition, it has a strong and solid system. Besides, it formed the largest proportion of the financial sector in Jordan. Therefore, the other sectors should follow the banking to increase CP. Furthermore, banking sectors are committed to the ITC information and technology committee rule, where the information and technology sector in Jordan is considered a developed sector and attracts investors. Therefore, it is imperative for companies to focus on applying the rules of ITC committee that are stipulated in the principles of Jordanian governance. Since it has a positive impact by providing quality information that supports decision-making and improving the system of internal audit and control that lead to achieving

the goals and increasing value and competitiveness.

With regard to culture, despite Hofstede's asserts that cultures change slowly, some recent studies show that this is not conclusive, as some studies have reached results contrary to Hofstede. This may due to most Arabs countries towards socially Western life. Besides the existence of some cultural motivators, including technology, social media, urbanization, and reliance in labor markets on competition and efficiency, all these factors may reduce the high power distance HPDI. This is what Jordanian culture reached recently, where results showed that Jordan tends to be LPDI. This requires the need to develop special institutions that are conscious and capable of absorbing the outputs of these cultural shifts in the nature of Jordanian society and the Arab in general. As well as, the concerned parties should reduce the remaining controlling parties' culture since Jordan has been shown to tend to be LPDI, this will limit corruption and exploitation of personal interests and thus make correct decisions by BOD. The presence of corporate governance reduces the impact of culture on the corporate performance in the Jordan context that reflects the discrepancy in the implementation of CG in the financial sectors. Therefore, the authorities must focus on raising the degree of commitment to CG principles to reach better results in the future, such as protecting the rights of shareholders and attracting foreign investors, as a result, increasing the profits. Thus increasing the financial stability of Jordan, strengthening the economy, and enhancing the level of living.

Finally, based on the above and in the light that no governance systems can be analyzed without concern for the cultural environment (LICHT 2014). And since good CG is affected by national culture, because the culture is considered a substitute for good CG. In addition, national cultures play a role in the evolution and effect on CG systems. Besides, it is closely related to the social norms of governance (Licht et al., 2007). where culture is a set of behaviors, values that are transmitted (OLIVEIRA 2016), Besides the results of this study, which showed that there is a relationship between culture, CG, and CP, so it is imperative to focus on this aspect in the future by the policymakers in different fields, culturally, socially, politically and economically.

### 4.3. Recommendations

1. The concerned authorities must raise the commitment of the codes of corporate governance that advocated by the OECD in the financial sector and apply them on the ground to allow culture to play an important role in the development of CG systems.
2. Imposing penalties for violating the principles of corporate governance.
3. Imposing strict instructions to oblige companies to formation Board committees, particularly ITC committees since these committees have a positive impact on the efficacy of BOD and enhance CP.
4. Authorities should impose strict instructions to force the diversified financial services and real estate companies to adhere to the rules of board size BON.
5. The concerned authorities must force the companies to select the BOD in accordance with codes of CG that should be qualified and has sufficient knowledge, and familiar with the rights, and duties of BOD. And link incentives of the managers to the CP.
6. Companies should reconsider the rule of separation between CEO and CM, and giving the CM sufficient authority to control BOD and managers.
7. Urging the non-executive members to be exist in companies, to knowledge about daily operations, and to participate in formulating strategic decisions.
8. Enhance the mechanisms of governing by BOD in the financial sector to increase their effectiveness, so it should:
    - Adopting a general framework for CG that clarifies the duties, responsibilities, and powers of BOD and shows the mechanism of work and how to evaluate the performance of BOD.

- Playing an advisory role in the strategic plan or operational matters of the institution, and ensuring the integrity of the financial statements.
- The BOD must be managing the meetings successfully, and good communication with committees and management, and attending to carry out the tasks and responsibilities.
- The executive management, internal control, and committees should provide BOD with sufficient, relevant, reliable, objective, and timely information
- Selection a diverse and appropriate Board members, who have scientific knowledge and practical experience.
- Internal audit should assign, review, and sure adherence to governance rules.

9. Improving the responsibilities, and tasks of BOD in CG codes. By adding a new article for accountability of BOD, and imposed a fine for any negligence in the duties.
10. Prepare a solid strategic plan by specialists and based on scientific foundations (Positive attitude, Team Work, Knowledge, clear aim). Besides, encourage technology and research development.
11. Setting special principles, and a concerned authority for ethical compliance. And urging the companies to issue reports in this regard.
12. Reviewing the company's law, to eliminate the conflicting, and setting new articles to improve the application of CG in Jordan.
13. The Jordanian companies must give females better opportunities in business in the future.
14. Encourage the employees, by improving salaries and rewarding them to reduce uncertainty cases.
15. Raising the awareness and understanding among the employees about teamwork.

### 4.4. Future studies and suggestions

The results of current research will be useful for policymakers, and it would enrich the literature by presenting important results about the impact of individual and interaction of HCL and CG on CP in the Jordan context, that would be an enriching topic to be studied by academics and researchers in light of lack of local literature in this regard. And it would be useful to conduct this research at the level of Arab countries. This will support or refute the results of this research. Also future research could be conducted on other sectors (Industrial, services). Furthermore, this research could be applied to the government sector as this sector has begun to apply the principles of governance recently. Further, future research could examine the relationship between culture and expectations of external or internal auditors. More importantly, future studies must be conducted to investigate the relationship between culture and CG particularly, in terms of (Board size, board composition, board committees). Future researches could be conducted in the same field of current research by using different proxies of CG, with recommend conducting research about the impact of ITC committee on CP. Further, using different aspects of BOD characteristics such as (educational level, Gender, and nationality). Moreover, the researchers can use controlling variables or moderating variables that may influence the nature of the relationship between CG, HCL, and CP.

The researcher suggests a re-assessment of Hofstede cultural dimensions in Arabic countries. Since there are expected changes may occur in the environment in which individuals live, which may affect their values and their behavior and culture. Furthermore, the current research could be conducted by using other models of culture, such as Schwartz's (1994). An important topic that may be useful the impact of privatization (eliminating government OWS) in Jordanian companies on CP.

Finally, since the world is currently under the Covid pandemic that could be a normal situation in the future, so studies on the impact of Covid on CG, culture, and CP could be an interesting topic in the future.

# 5. NEW SCIENTIFIC RESULTS

## The New results of the current study and the improved hypotheses

The current study reaches new results about the impact of culture and corporate governance on corporate performance in Jordan context as follows:

1. There is a significant and statistical relationship between corporate governance CG and corporate performance CP.

2. There is a relationship between cultural dimensions HCL (HUAI, MAS, REST) and corporate performance CP, without the presence of CG.

3. There is no relationship between the cultural dimensions HCL (LPDI, HUAI, LTO, COLL, MAS, REST) and CP, with the presence of CG. However, the results indicated that there is an additional explanatory power of HCL dimensions in explaining the variances in CP with the presence of CG.

4. There is a positive relationship between the interaction of each cultural dimension with CG (CG*HCL) and corporate performance. This means these cultural dimensions have a positive impact on CP if the CG is good. This positive impact is somewhat modest at a significant level 0.1, due to lack of commitment to CG codes; and the discrepancies in the implementation of CG principles among the companies in financial sectors. Thus, the relationship between culture and CP may differ depending on the strength of CG in each sector. Furthermore, The interaction between culture HCL and CG provides the largest explanatory power in predicting the variances in CP in model 4 compared with model 1 (corporate governance) and model 2 (HCL dimensions).

5. The cultural dimension Restraint (REST) is positively correlated to CP in the Jordan context, whether, without the presence of CG (Model 2), or with CG*REST (Model 4). This means that a restrictive environment (REST) motivates the workers in the companies, even though they don't have an indulgent environment.

6. The study demonstrated through in-depth and detailed literature research and statistical analysis in Jordanian conditions that the performance of financial firms is closely related to good corporate governance and Hofstede cultural variables.

Table 9 below shows the new results and improved hypotheses.

**Table 9. New results of the current study and the improved hypotheses**

| | Accepted / Rejected | New results |
|---|---|---|
| *H01a* | | There is no significant relationship between corporate governance (CG) and corporate performance (ROE) |
| | Rejected | ***H01a2***: (ACM), ***H01a3***: (GCN), ***H01a7***: (BON), ***H01a8***: (INDB), ***H01a9***: (NCEOD), ***H01a10***: (LO), ***H01a12***: (GO) |
| | Accepted | ***H01a1:*** (ACN)***, H01a4:*** (GCM)***, H01a5:*** (ITN)***, H01a6:*** (ITM)***, H01a11:*** (FO) |
| *H01b* | | There is no significant relationship between corporate governance (CG) and corporate performance (ROA) |
| | Rejected | ***H01b2***: (ACM), ***H01b9***: (NCEOD) |
| | Accepted | ***H01b1***: (ACN), ***H01b3***: (GCN), ***H01b4***: (GCM), ***H01b5***: (ITN), ***H01b6***: (ITM), ***H01b7***: (BON), ***H01b8***: (INDB), ***H01b10***: (LO), ***H01b11***: (FO), ***H01b12***: (GO) |
| *H02a* | | There is no significant relationship between Hofstede cultural dimensions (HCL) and corporate performance (ROE) |
| | Rejected | ***H02a4***: (MAS) ***H02a5***: (REST) ***H02a6***: (HUAI) |
| | Accepted | ***H02a1*** (LPDI) ***H02a2***: (LTO) ***H02a3***: (COLL) |
| *H02b* | | There is no significant relationship between Hofstede cultural dimensions (HCL) and corporate performance (ROA) |
| | Accepted | ***H02b1***: (LPDI) ***H02b2***: (LTO) ***H02b3***: (COLL) ***H02b4***: (MAS) ***H02b5***: (REST) ***H02b6***: (HUAI) |
| *H03a* | | There is no significant relationship between Hofstede cultural dimensions (HCL) and corporate performance (ROE) with the presence of corporate governance (CG) |
| | Accepted | ***$H_0$3a1:*** (LPDI) ***$H_0$3a2:*** (HUAI) ***$H_0$3a3:*** (LTO) ***$H_0$3a4:*** (COLL) ***$H_0$3a5:*** (MAS) ***$H_0$3a6:*** (REST) |
| *H03b* | | There is no significant relationship between Hofstede cultural dimensions (HCL) and corporate performance (ROA) with the presence of corporate governance (CG) |
| | Accepted | ***$H_0$3b2:*** (HUAI) ***$H_0$3b3:*** (LTO) ***$H_0$3b4:*** (COLL) ***$H_0$3b5:*** (MAS) ***$H_0$3b6:*** (REST) |
| | Rejected | ***$H_0$3b1:*** (LPDI) |
| *H04a* | | There is no significant relationship between (CG*HCL) and corporate performance (ROE) |
| | Rejected | ***H04a1*** (CG*LPDI) ***H04a2:*** (CG*HUAI) ***H04a3:*** (CG*LTO) ***H04a4*** (CG*COLL) ***H04a6:*** (CG*REST) |
| | Accepted | ***H04a5:*** (CG*MAS) |
| *H04b* | | There is no significant relationship between (CG*LPDI), and corporate performance (ROA) |
| | Rejected | ***H04b1:*** (CG*LPDI) ***H04b3:*** (CG*LTO) ***H04b4:*** (CG*COLL) ***H04b5:*** (CG*MAS) ***H04b6:*** (CG*REST) |
| | Accepted | ***H04b2:*** (CG*HUAI) |

Source: Author's survey

## 6. SUMMARY

This research investigates the impact of Hofstede's cultural dimensions theory HCL and corporate governance CG on corporate performance CP. In addition, investigates the impact of mutual (interaction) between CG and HCL on CP in the Jordan context. For this purpose, the financial sector companies listed on ASE were selected. The sample included 105 companies for the period 2013 - 2018. The study covers all the six Of HCL: power distance index PDI; Individualism vs. collectivism IDV; Uncertainty avoidance UAI; Masculinity vs. femininity MAS; Long-term orientation vs. short-term orientation LTO; Indulgence vs. restraint IND. Furthermore, the study uses the CG proxies: Number of board members BON; Independence of BOD INDB; Non-CEO duality NCEOD; Board committees BC, in addition to Ownership structure OWS: largest OWS (LO); Foreign OWS (FO); and government OWS (GO).

More importantly, the researcher developed the four main hypotheses, each main hypothesis included sub-hypotheses. The research employed Agency theory, and the Hofstede cultural dimensions theory in the theoretical framework of study, for testing the relationship between corporate governance CG, culture HCL, and corporate performance CP, as well as to answer the research questions. Furthermore, the study presented the reality of CG in Jordan and clarified the methods of corporate governance in Jordan besides the barriers to implantation the good practices of CG, Further, clarified the characteristics of culture in Jordan, which helped the researcher in developing the research questions and built the model of the study.

The data was collected from two resources; secondary sources (published articles from social science journals. in addition used available data in the ASE (www.ase.com.jo) that related to the profitability of companies. Besides financial ratios from the Securities Depository Center SDC. Furthermore, used the annual reports that are available on the website of ASE, to collect the data related to the corporate governance dimensions and the ownership structure. Moreover, the researcher used a questionnaire as a primary source to collect data on the cultural dimensions. The questionnaire was distributed to different job positions (Managers, Heads of sections, employees) in a selected sample of the financial sector companies. A statistical analysis by using SPSS was pursued to analyze data such as reliability test (Cronbach's Alpha), Descriptive Statistics, frequencies, Normality test, Multicollinearity test, and Regression analysis.

This research employed Hofstede's cultural dimensions to calculate the cultural dimensions in Jordan. The results of the current study show that the Jordanian culture is characterized by LPDI, HUAI, LTO, COLL, MAS, and REST culture. Where the COLL dimension posted the highest mean in the financial sector. These results are consistent with Hofstede's classification of Jordan regarding HUAI; COLL; REST while contradicting regarding MAS; LPDI; LTO. The Interpretation of these new findings may be attributed to Jordan's interest as one of the developing countries in rebuilding itself and in establishing an internal culture to enter the world of competition. Furthermore, the Jordanian workers may be exposed to unusual sources of upbringing Social that may change their traditions (BERGER - LUCKMAN 1966). Regarding the implementation of CG the results show that there is a statistical and significant positive impact of CG on CP. However, the results show that there is a discrepancy in the implementation of CG principles in the financial sectors.

The researcher used the regression model for testing the developed null hypotheses that were constructed to test the impact of HCL and CG on CP. The results show there is a significant impact of CG on CP Model 1. Further, there is a significant relationship between cultural dimensions MAS, REST, HUAI, and ROE Model 2. While Model 3 shows that there is no relationship between the cultural dimensions LPDI, LTO, COLL, MAS, REST, HUAI, and CP with the presence of CG. This indicates the presence of CG reduces the impact of the HCL on

CP in the Jordan context. However, the results indicated that there is an additional explanatory power of HCL dimensions in explaining the variances in CP with the presence of CG. Regarding Model 4 the results show there is a positive impact on CP when each cultural dimension interacted with CG. However, this positive impact is a bit modest due to the lack of full commitment to the principles of CG and the discrepancy in implementation of CG principles among the companies in the financial sectors. Thus, the relationship between culture and CP may differ depending on the strength of CG in each sector. More importantly, the results show that model 4 that presented the interaction between culture and CG has the largest $R^2$ compared with model 1 (corporate governance) and model 2 (HCL dimensions). Which means a bigger additional explanatory power for CP.

The study concluded that there is a significant impact of corporate governance on CP. However, there is a discrepancy in the level of implementation of CG principles among the companies in the financial sectors. Furthermore, there is an individual impact of cultural dimensions HCL (HUAI, MAS, REST) on CP, without the presence of CG. While, there is no individual impact of the cultural dimensions HCL (LPDI, HUAI, LTO, COLL, MAS, REST) on CP, with the presence of CG. This means the presence of weak CG reduces the impact of HCL that weakens the relationship between the HCL and CP. However, the results indicated that there is an additional explanatory power of HCL dimensions in explaining the variances in CP with the presence of CG. Furthermore, the study concluded that there is a positive impact on CP when each cultural dimension interacted with CG. Moreover, the cultural dimension REST is positively correlated to CP in the Jordan context, whether, without the presence of CG, or with CG*REST.

The limitations of this study are related to the cultural dimensions, in particular, as there are a gap and shortage in local studies in this regard. However, the results on the impact of the individual or the interaction of culture with CG on CP are somewhat consistent with the results of previous studies although these studies had dealt with different measures of performance such as (dividends, Tobin's Q, and net interest margin) or it applied the research in different contexts or different sectors. In any case, the comparisons with the previous studies faced a bit difficult due to the scarcity of research applied in this field, whether in the individual impact of culture or its interaction with CG on CP, particular, the interaction, where there is a scarcity of research that dealt with the six dimensions of culture, and even if such researches exist, they used the corporate social performance CSP measures and their interaction with the Hofstede cultural dimensions. Nevertheless, the results of current research can contribute to the literature by providing findings on the impact of culture and CG on CP of Jordanian companies. Where the researcher presented managerial implications, and recommendations, as well as suggested future studies. These results and recommendations are important to financial data users, investors, and policy-makers in Jordan, especially that Jordan is one of the emerging countries that are characterized by a weak governance system.

Finally, the general results of the current study confirm that the CP is closely related to good corporate governance and Hofstede cultural variables. Therefore, more future studies should be conducted, especially in the Jordan context with regard to the impact of the cultural dimensions (individual or interaction with CG), where it is evident that culture has an additional explanation in the variance of CP. Such future studies in this field will contribute to refuting or confirming the findings of the current research.

**List of publications**

## Journals

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3. Aleqedat, H.Q. and AL-Rawash, S.Z., The Impacts of Hofstede's Cultural Dimensions and Ownership Structure on Dividend Policy of Financial Sectors in Jordan. International Journal of Business and Social Research (IJBSR), ISSN 2164-2540 (Print), ISSN 2164-2559 (Online), Volume 05, Issue 01, 2020 : 07-25, DOI: http://dx.doi.org/10.18533/job.v5i1.137
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