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The Impact of Corporate Governance on Business Sustainability in Industrial Companies :A Field Study

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Abstract

The study aimed to identify and analyze the impact of corporate governance on business sustainability in industrial companies, in addition to the theoretical and conceptual foundation of corporate governance. The study population consisted of 536 employees in three industrial companies in the Sultanate of Oman, where a random sample of 125 employees was selected and an electronic questionnaire was distributed. On the sample. The study followed the descriptive analytical method. The study reached several results, the most prominent of which was: the existence of a statistically significant impact of corporate governance on business sustainability in industrial companies. The study recommended further continuous development of procedures, laws, and regulations in line with current developments, in order to ensure sustainability, and the need for companies to enhance the value of transparency among employees, clarify procedures, regulations, and laws at work, and publish periodic reports and communicate them to those concerned.

Keywords: Corporate Governance, Business Sustainability

Introduction

The industrial company's sector is considered one of the most important drivers of the overall global economic system, as the industrial sector is considered a vital sector that intersects with various other economic sectors such as the financial, banking, logistics, raw materials sector, and others. The industry contributed 25% of the global GDP in 2018, according to the

2019 World Economic Forum report. Therefore, it is important for industrial companies to operate in a stable and sustainable environment due to their great importance in the economy and their embrace of many labor forces, in addition to being an essential engine for growth, development and progress at various levels. The stability and sustainability of the work of these companies is reflected in the stability of the sector, which in turn leads to stability. The global economic system, it was necessary for these companies to move towards governance and adhere to its principles, mechanisms, and procedures in accordance with the size and importance of the work and the organization, as governance is the safety valve for business sustainability and balance for these companies.

The concept of governance received great attention as a result of a number of economic crises that affected the entire world, with the outbreak of the Asian crisis in 1997 and the accompanying scandals and financial crises that led to the bankruptcy of many companies and banks, to the 2008 banking crisis, which was the result of a defect in the governance and control systems, And other successive crises that threaten the integrity of the global economic system and pose a threat to the sustainability of the work of various economic units. Therefore, corporate governance aims to provide systems, procedures and rules that would organize institutional work with various parties according to a transparent and systematic work environment, improve the risk management process, and enhance corporate sustainability. Because the industrial sector is the backbone of the modern economy, with the stability and sustainability of business for companies operating in this sector, this will be reflected in the local and global macroeconomy, hence the importance of striving towards enabling governance, especially in developing countries.

Study problem and research questions

The problem of the study lies in the weakness of governance and traditional regulatory systems. Many studies have attributed that the cause of the collapses and crises witnessed by major companies is due to the weakness of governance structures or the lack of them being practiced in those companies (Abu Ashma, 2013). AndThis led to the emergence of major financial and economic crises that caused the exit of many companies, their failure, and the decline of their business, and this in turn directly affects the overall economic system and the social system. so The safety and survival of companies depends on the efficiency and effectiveness of their governance systems. Accordingly, the research problem is reflected in the following main question:

1. What is the impact of corporate governance on business sustainability in industrial companies?
2. What is the general conceptual perspective of corporate governance?
3. What are the indicators and elements of business sustainability in industrial companies?

The Importance of Studying

The importance of the study lies in the fact that it addresses one of the complex and modern topics in the work of industrial companies, which is the link between the concept of corporate governance and business sustainability. This link will be studied in one of the important and vital economic sectors, which is the industrial sector. The importance of corporate governance has increased greatly due to its direct and indirect role in achieving both economic development and social well-being of local economies and financial markets and thus society, which gives the study great importance.

Objectives of the Study

- Determine the general conceptual perspective of corporate governance.
- Identify business sustainability and the elements and indicators associated with it in industrial companies.
- Measuring and analyzing the impact of governance on business sustainability in industrial companies.

Study Hypothesis

There is no statistically significant effect of corporate governance on business sustainability in industrial companies.

Literature Review

Curtle (2008) studied the corporate governance is the approach of leaders and managers to achieve sustainable development in the Arab world. This study highlights the importance of corporate governance as an approach and examines its role in combating corruption and mismanagement and encouraging transparency, and the consequences of this on economic development, preserving the environment and achieving social justice, and the role of corporate governance in making companies not only aim to achieve commercial profitability but also aim to contribute to achieving social profitability. environment and cooperation with the state in this field.

The role of governance in increasing the profitability of industrial establishments in Syria (Al-Halabi, 2009). The study aimed to analyze the extent to which senior management has adopted governance procedures and its elements and its impact on the organization's profitability. It relied on two variables: the degree of reliance on the organizational structure in making administrative decisions and the extent to which the ISO system contributes to establishing administrative and financial rules that help limit administrative practices. He presented many recommendations to enhance profitability, centered around compliance with quality standards and corporate governance controls.

Another Study by, (Al-Zulaifa, 2014) investigated the role of industrial corporate governance in achieving sustainable development. The study aimed to highlight the concept of corporate governance. Linking the concept of governance to sustainable development and the role of industrial companies in achieving it and studying the impact of this relationship at the level of some industrial companies, where a field study was conducted that concluded that there is a positive impact of applying corporate governance on achieving sustainable development in its three dimensions: economic, social, and environmental.

Moreover, (Hawi, 2019) investigated the impact of business continuity requirements on the sustainable performance of the organization by adopting a risk management strategy. The study aimed to link the relationship and bridge the gap of the interactive relationship between risk management strategy and business flow continuity requirements, which will reflect positively on improving sustainable performance and business continuity in light of the risks surrounding the organization and ensuring the flow of its business. The researcher also believes that achieving sustainable performance requires a comprehensive internal transformation in order to maintain proactive leaps towards achieving a sustainable summit for all parts of the organization.

Moreover, (Al-Ghafli, 2019) studied the Analysis of aspects of the sustainability of economic growth and their relationship to sound governance methods in the experience of the Abu Dhabi National Oil Company - ADNOC. The study aimed to identify the extent of the practical application of sustainability theories and literature in ADNOC Petroleum Company through the researcher using the descriptive approach. The study raises questions about ADNOC's exhausting strategy in achieving sustainable economic growth and clarifies the company's basic pillars in achieving sustainable economic development. The researcher also reviewed seven theories looking for business sustainability and chose two of the seven theories to examine the extent of their compatibility with the work mechanism at ADNOC, which are the theory of economic growth and the cumulative development theory. The study also showed the difficulty of reconciling economic development, business sustainability and governance by clarifying other aspects of this growth, represented by the social aspect and what is related to local sustainable development frameworks and other aspects. The study concluded with some recommendations, summarizing the importance of empowering theories of governance and economic sustainability, and applying them in the field of public company management to maintain more effective and sustainable institutional performance.

Moreover, (Alex, 2012) investigated the corporate governance, sustainable development, and value creation. This study aims to address the relationship of corporate governance and sustainable development in creating value in business institutions by studying a group of 17 Italian companies listed on the stock exchange. It touched on the economic, social, and environmental responsibility of companies, and concluded that there are economic, competitive, social, and environmental conditions for corporate governance to contribute to sustainable development and value creation.

In conclusion, looking at previous studies, it becomes clear that despite the importance of the subject of corporate governance, especially industrial ones, studies in this field are few and need further consolidation and research, especially in Arabic. What distinguishes this study is that it provides a general and comprehensive conceptual framework for the concept of corporate governance and the historical development of the concept of governance in general. In general, it is also conducting a field study on industrial companies operating in the Sultanate of Oman. Regarding business sustainability, this study seeks to provide a summary of knowledge along with elements and indicators that measure the extent of business sustainability in economic and industrial business environments, as previous studies were general and targeted sustainable development in its various aspects, while this study focused on business sustainability directly.

Theoretical Framework

- The corporate governance

To attempt to gain familiarity with the concept of corporate governance, this section will address the definition of the concept of governance, then the stages that this concept has passed through since its emergence until what is called corporate governance. In addition to the components on which this concept is based.

- **Introduction to Governance**

Signs of the concept of governance in its modern sense appeared after World War II, because of the emergence of rising transcontinental economic powers such as government and Japanese companies, which led to a loss of control over them. The organization of this relationship within its modern legislative framework dates to the last quarter of the last century, specifically the year 1970, due to the inclusion of governance by the US Federal Securities and Exchange Commission (SEC) within its reform agenda (Bouhraoua and Boukroucha, 2015). Buraq and Qaman, 2012 believe that the reason for the emergence of the

concept is due to the intensive work of researchers Demest and Aichin to publish their research on “agency theory,” after which Mecklin and Jensen (1976) touched on the agency problem in their article. Famous in the Economics Financial Journal in a detailed and clear way, where they replaced the traditional classical theory, which for decades adopted the idea that the institution is a black box, with the idea that the institution is a center for contracts, in which individuals search to maximize their benefits (Sheikh, 2019). Therefore, the concept of governance goes back to its roots derived from agency theory, which examines the conflict between the interests of the owners and the interests of the company’s management, who do not own but control the management of the company. As well as the stakeholder theory (Shawqi and Moussa, 2015), which examines in conflict between many stakeholders from inside and outside the company.
The concept of governance also received great attention with the outbreak of the Asian crisis in 1997 and the accompanying scandals and financial crises that led to the bankruptcy of many companies and banks. And the collapses of Enron and the giant telecommunications company, WorldCom, and all that accompanied these series of scandals led to the liquidation of long-established institutions such as the Arthur Andersen Company (Al-Daour, 2013). And at the international level (Turki et al., 2013), the report of the Organization for Economic Cooperation and Development (OECD, 1999) entitled “Principles of Governance” is considered the first official international recognition of the concept. International organizations have taken the initiative to issue many principles and definitions, including the World Bank. These organizations worked to hold conferences and meetings to clarify the concept and work to spread it in countries around the world. Six basic principles of governance were formulated by the International Monetary Fund and the World Bank in partnership with the Organization for Economic Cooperation and Development in 2004 (Shawqi and Moussa, 2015), which are: Ensuring the presence of... The basis for an effective governance framework; shareholders’ rights and the main functions of equity holders; equal treatment of shareholders; the role of stakeholders in governance; disclosure and transparency; responsibilities of the board of directors.
The definition of governance, according to the concept of the Arabic Language Academy, is that (governance) is synonymous with the term (good administration), and its origin goes back to an ancient Greek word (governance), which expresses the ability of the ship’s captain to lead it to safety because of the sense and skill he possesses in preserving lives and property. Passengers. Governance is defined as a set of systems and controls that regulate relationships between stakeholders and achieve a set of principles such as justice, transparency, and equality (Al-Ghanem, 2021). The research indicates that, despite the many terms and definitions of governance, they refer to a set of rules and procedures that govern and ensure the safety, integrity, and transparency of all institutional actions within the organization in order to achieve the interests of all relevant parties, or as it is called, good management.

- **Corporate Governance**

The term “corporate governance” is one of the new terms in the Arabic language, and it is an attempt to translate “corporate governance.” There are many Arabic terms that correspond to it, such as “corporate governance,” “institutional governance,” and other similar terms.
Despite the many definitions of corporate governance, there are those who define corporate governance as a system for directing, controlling and supervising all activities of an economic unit on the basis of organizing the decision-making process and dividing powers and responsibilities among the main parties in that unit to serve stakeholders in particular and

other potential users in general. Corporate governance also means the system that includes a set of mechanisms, procedures, laws, systems and decisions that ensure discipline, transparency and disclosure with the aim of achieving quality oversight work and excellence in performance through (Al-Rehaili, 2008). One study showed that corporate governance is a system through which economic units are managed and monitored and aims to protect the rights of shareholders and equality among them, achieve justice, involve them in the decision-making process, provide transparent and clear data to all of them, and define the responsibility, duties and rights of board members (Al-Rehaili, 2008). Among these definitions, the researcher finds that the common denominator in all of them is that corporate governance is an effective and rational management through which unified procedures and systems are drawn up that enable discipline, transparency, and control of performance and productivity.

- **The importance of corporate governance**

There is no doubt that governance, which is good management, is a safety valve for the stability, sustainability, and survival of these companies, and this in turn leads to economic stability and social prosperity. The importance of governance is in preventing cases of corruption, conflicts of interest, misuse of power, and monopolization of power, which are all forms and causes of corporate deterioration. Governance frames procedures and systems to create the appropriate balance that considers all the interests of those concerned.

- **Corporate Governance Components**

The components of the corporate governance system are as follows, as in the study (Bu Al-Zulaifa, 2014):

- System inputs**:** The inputs to the governance system include all the necessary supplies or requirements, whether they are legal and legislative requirements, administrative and regulatory requirements, or economic requirements.
- Governance operating system**:** What is meant is the composition of the entities responsible for implementing corporate governance and the entities that supervise this implementation, that is, every administrative entity inside or outside companies that contributes to applying corporate governance, encouraging adherence to its principles, and supporting its effectiveness.
- Outputs of the corporate governance system: Since governance is not a goal, but rather seeks to achieve results that everyone desires, the outcomes of the governance system are represented in achieving many principles and goals. It can be represented as a governance system.

Table 1
Components of corporate governance (Yarqi, 2013)

System inputs	System processing		System outputs
Legal requirements	**Internal elements**	**External elements**	Protecting shareholders' rights
Legislative requirements	Internal elements	Professional bodies	Protecting the rights of stakeholders
Administrative requirements	Board of Directors	Capital markets.	Achieving disclosure and transparency
Regulatory requirements	Internal audit	External review	Emphasizing equal and fair treatment
	Review Committee		Activating the responsibilities of the Board of Directors
	(Interactive movement between these parties)		Ensuring the necessary basis for activating the corporate governance framework

- **The Business Sustainability**

Business sustainability and the sustainable institutional performance of industrial companies are of great interest to businessmen, CEOs, and managers of these industrial companies and various organizations. Maintaining a continuous and sustainable pace of work and preserving the competitive advantages of institutions considering these current economic conditions constitutes a major concern for senior management and decision makers in order to achieve stability and stability not only for industrial companies, but for the global economic system as a whole. The business sustainability of these companies and organizations will reflect positively on The macro economy, whether local or global, hence the importance of enabling these companies to have management methods that achieve stability and sustainability for their business. Although the term sustainability is widely and widely associated with the environmental aspect, by returning to the origin of its linguistic meaning, the verb “sustainability” comes, which means persevering with something or continuing with the matter and preserving it (Ibn Manzur, 1972).). The element of business sustainability expresses that the organization or institution has sufficient capacity to continue conducting its business and overcome obstacles and challenges of competition through the presence of a strategy that is compatible with the environment surrounding it, and efficient internal organizational practices (Al-Bahadur, 2022). Abu Bakr (2017) believes that sustainability is the tendency Continuous improvement and development of the business and ensuring its leadership in an environment characterized by successive changes and intense competition.

- **Business Sustainability Elements and Indicators**

Three main elements or indicators that indicate business sustainability in industrial companies can be identified, as these elements integrate with each other to produce a sustainable business system. They are as follows (Al-Bahdour, 2021)

- First: Flow

The researcher means the company's business flow or the quantity of products and services that flow through it to the market, in quantity and quality. For example, if it is a contracting company, it means the company's flow of construction contracts and tenders. If it is a production or service company, it is the amount of flow of products and services that it provides to the market and to consumers. Therefore, the larger the segment of beneficiaries, the greater the volume of the company's business flow, and the more diverse the services and products are, the more diverse the segment of customers the company gets. Therefore, continuing the flow of business means that the institution or company maintains its market share. Whenever the volume of flow is very small, this poses a threat to the sustainability of the business and may lead it to bankruptcy.

- Second: Value

Business flow is not enough to ensure sustainability, as this flow must constitute added value to the organization, whether material or moral value. For example, if the contracts flowing to the company do not represent a profitable value for it, this will reflect negatively on the company later. Also, if this flow is of one type, this will deprive the company of the value of diversity, which is considered a key element in sustainability. On the other hand, companies must Consider whether the product or service you provide represents any added value for the consumer or beneficiary? Also, does it contain a value that distinguishes it from its competitors? The flow of business must bring real value to the institution and its beneficiaries, so that this is reflected in its sustainability.

- Third: Quality

Quality constitutes an essential factor in the business sustainability of companies, in addition to flow and value. It is a process of continuous development and improvement of the organization's work through review, analysis, and taking feedback from beneficiaries to raise the level of quality of business performance and dispense with unnecessary tasks and functions, which results in reducing costs, raising the level of service quality, and reducing Time and all according to the requirements, capacity and needs of the beneficiaries. The more the work provided by the company is of high quality and free of defects and deficiencies, the more this will lead to gaining a greater number of beneficiaries and ensuring a flow of business. The description of quality as "long-term success through customer satisfaction" is the link between it and sustainability, as both look at the time factor to achieve long-term or continuous and sustainable work overtime.
The researcher believes that these elements or indicators must be carefully monitored by industrial companies and economic institutions in general and increased their effectiveness to achieve the greatest degree of sustainability. Moreover, these three elements interact and complement each other, so flow and quality are not enough if there is no real value for the institution. The flow cannot continue for a long time without the quality element (Al-Bahadour, 2021).

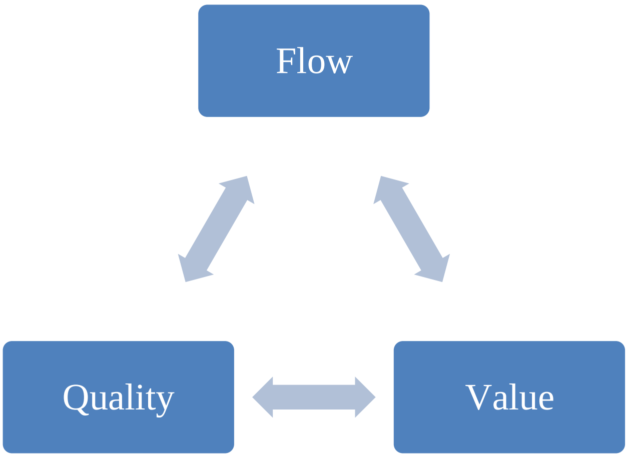

Figure 1: Elements and indicators of business sustainability (Al-Bahdour, 2020)

Method and Procedures

The study methodology is the descriptive and analytical approach to the study, to research, describe and analyze the impact of corporate governance on business sustainability in industrial companies.

Study Population and Sample

The environment studied for the study is industrial companies in Dhofar Governorate, where the study population consists of workers in three industrial companies: OQ Methanol Company, Salalah Mills Company, and Raysut Cement Company. The size of the study population is (536) employees. Due to the large size of the community, a random sample consisting of (125) employees were selected.

Study Instrumentation

Secondary sources: books, periodicals, university dissertations, and previous peer-reviewed scientific research and articles.
Primary sources: which are represented by the questionnaire as a primary source and main tool for the study, using a five-point Likert scale.

- **Validity**

The study tool is considered valid if it can measure what it was designed to measure, as the researcher resorted to verifying the validity of the questionnaire by seeking the help of a number of (4) arbitrators from the academic staff members of the College of Commerce and Administrative Sciences at Dhofar University and (4) external arbitrators.

- **Reliability**

Cronbach's alpha stability coefficient
The researcher applied Cronbach's alpha formula to verify the stability of the study tool on the scores of the sample members, and the results were as shown in the following table:

Table 2
Internal stability coefficients for the questionnaire

Reliability coefficient (Cronbach alpha)	Number of paragraphs	variable	M
0.885	5	Governance	5
0.915	9	Business sustainability	

Statistical Processors Used
To reach indicators aimed at supporting the objectives of the study, testing its hypotheses, and answering its questions, the researcher used the SPSS program in the process of analyzing the data and testing the hypotheses.

Results
Analyzing and presenting the results of the main study question and testing its hypothesis. The researcher used a set of descriptive statistics, which consisted of calculating arithmetic means, standard deviations, and relative importance at the paragraph level according to the responses of the study sample members:
What is the impact of corporate governance on business sustainability in industrial companies?
Independent variable: corporate governance.

Table 3
Descriptive analysis of the items of the corporate governance variable

Paragraph order	Relative importance	standard deviation	Mean	Paragraph	Paragraph number
2	High	0.95930	3.8480	The company uses performance measurement indicators	1
4	High	0.94104	3.7440	The company promotes governance values such as transparency and accountability	2
3	High	0.89860	3.8240	The company is distinguished by its clear regulatory and legal procedures	3
1	High	0.94200	3.9120	The company has an audit and risk control system	4
5	Bumped	0.94541	3.6880	Do not hinderCorporate governance procedures for business performance	5
	High	0.93727	3.8032	Arithmetic mean and general standard deviation	

The results in Table 3 show the descriptive analysis of the governance variable, where the results showed high agreement, according to the general arithmetic mean of (3.8032) with a standard deviation of (0.93727). Paragraph No. (4) came in first place, with a mean of (3.9120)

which indicated that "The company has an audit and risk control system While Paragraph No. (1) came in second place with an arithmetic average of (3.8480), which indicated: "The company uses performance measurement indicators ". Paragraph No. (5) came in last place, with an arithmetic average of (3.6880) which indicated " Do not hinder Corporate governance procedures for business performance ".
Dependent variable: business sustainability:

Table 4
Descriptive analysis of the items of the business sustainability variable

Paragraph order	Relative importance	standard deviation	Mean	Paragraph	Paragraph number
5	High	0.93691	3.9040	The company is characterized by a balance between stability and dynamism	6
8	High	0.96567	3.7120	The company is interested in internal and external feedback and opinions	7
6	High	0.94234	3.8480	The company focuses on continuous improvement and development	8
2	High	0.88900	4.000	The company constantly changes its services and products to meet the aspirations of beneficiaries	9
4	High	0.86509	3.9600	The company updates its administrative procedures and operational processes to keep pace with current developments	10
1	High	0.77568	4.0560	The company focuses on improving its relationship with different stakeholders and enhancing their trust	11
7	High	1.05035	3.7600	The company is interested in social responsibility and provides a specialized center for it	12
3	High	0.91136	3.9920	The company enhances the added value in its business and products	13
8	High	1.08375	3.7120	The company constantly publishes audited periodic reports	14
	High	0.93557	3.8826	Arithmetic mean and general standard deviation	

The results in Table 3 show the descriptive analysis of the business sustainability variable, where the results showed high agreement with this variable, according to the general arithmetic mean of (3.8826) with a standard deviation of (0.93557). Paragraph No. (11) came in first place, with a mean of (4.0560) which indicated "The company focuses on improving its relationship with different stakeholders and enhancing their trust While Paragraph No. (9) came in second place with an arithmetic average of (4,000), which indicated: "The company constantly changes its services and products to meet the aspirations of beneficiaries ". Paragraph No. (7) came in last place, with a mean of (3.7120) which indicated " The company is interested in internal and external feedback and opinions It also came in last place, repeating Paragraph No. (14), with an arithmetic mean of (3.7120), which indicated, "The company publishes audited periodic reports on an ongoing basis."

Testing the Study Hypothesis

The main hypothesis of the study stated that "there is no statistically significant effect of corporate governance on business sustainability in industrial companies." The researcher tested the study hypotheses using SPSS.

Table 5

Regression coefficients of corporate governance on business sustainability

		Standardized regression coefficients	Unstandardized regression coefficients		
indication	value (v)	Beta	Std. Error	B	
0.001	4.380		4492.888	19678.569	Constant
0.001	5.582	0.394	27.592	154.022	Governance

According to the data of the table above, the regression coefficient for the governance dimension reached (154.022), and the statistical significance value associated with the "t" value was (0.001), which is less than the level of statistical significance (0.05). Based on these results, there is a statistically significant effect for the governance dimension. On business sustainability, and based on this result, the main hypothesis is rejected, and the alternative hypothesis is accepted.

Results and Discussion

The primary goal and purpose of this study is to analyze the impact of corporate governance on business sustainability in industrial companies, as a field study was conducted on industrial companies in Dhofar Governorate, and this chapter reviews the results that the researcher reached through the results of the descriptive analysis of the study question and testing its hypothesis. After applying statistical methods to the data collected by the researcher in the previous chapter of the study, he reached the following results:

The results of the descriptive analysis showed that there is a high level of governance in industrial companies in Dhofar Governorate. The highest level of governance is that there is an audit and risk control system in the company. This result is due to the interest of industrial companies in Dhofar Governorate in aspects of governance and creating systems for auditing and monitoring risks. However, the researcher believes in the importance of conducting further study on corporate governance and its implications for business sustainability in a more accurate and objective manner, given the scarcity of studies related to this aspect.

The results of the descriptive analysis showed that there is a high level of the business sustainability variable among industrial companies in Dhofar Governorate, and the highest levels of business sustainability were represented by the companies' focus on improving their relationship with different stakeholders and enhancing their trust. This result is due to the fact that industrial companies in Dhofar seek to achieve the necessary amount of sustainability elements for their business by improving their relationship and communication with their various partners and stakeholders and stimulating the spirit of transparency and integrity. This result is consistent with the study of (Abu Samra, 2007).

Recommendations

In light of the findings of the study, it recommends the following

1- Paying attention to corporate governance, performance measurement and evaluation, enhancing the value of transparency among employees, clarifying procedures, regulations, and laws at work, publishing periodic reports and communicating them to those concerned.

2- Work on the continuous development of procedures, laws, and regulations in line with current developments, in order to ensure sustainability and resilience to external variables and the direct effects of competition in the industry.

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