



The Impact of Corporate Governance in Achieving Competitive Advantage- A Field Study of Jordanian Pharmaceutical Companies

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Abstract

The study aimed to identify the impact of corporate governance in achieving competitive advantage for the employees working in Jordanian pharmaceutical companies. In order to achieve the objectives of the study a questionnaire was developed to collect data by distributing it on a sample consisted of 135 individuals. The most important finding of the study is that:

There is an impact of the dimensions of corporate governance in achieving competitive advantage in Jordanian pharmaceutical companies.

The study recommends that:

It is necessary to enhance the concept of corporate governance and the concept of competitive advantage to the workers in Jordanian pharmaceutical companies.

It is necessary to benefit from the experiences of other companies in the subject of corporate governance and competitive advantage.

Keywords: corporate governance, competitive advantage, Jordanian pharmaceutical companies.

Introduction

The need for corporate governance have after the wake of the global crisis that many global economies have suffered from, the trend toward transition to capitalist systems by many countries has increased that highly depend on the private sector in order to achieve high economic growth rates, which led to widening size of the search for less expensive financial resources than banks, and to heading to capital markets. What the world has witnessed such as the liberalization of financial markets and ease of capital movement across borders have helped so much this trend. The large size of companies and the separation between management and ownership have led to weaken the monitoring mechanisms on the behavior of managers and to the occurrence of a lot of financial crises such as the collapse of Enron and WorldCom in United States in 2001 and 2002 respectively, which demonstrated the failure of these companies to follow corporate governance leading to a conflict of interest between stakeholders, the mater that necessitated these companies to adopt corporate governance in order to improve the financial and administrative performance (Said, 2009).

Corporate Governance aims to achieve transparency, accountability, justice, social responsibility, and autonomy thus achieving protection of the common interests of the stakeholders, leading to maximizing profitability and providing new job opportunities.

As a result of the instability of the business environment due to the rapid changes taking place in many aspects such as technological developments, globalization, the increase of companies size, the increase of competition and orientation to own superiority over other companies working in the same industry and speed of response to customer requirements in order to ensure its growth and survival, so this study was to highlight the impact of corporate governance in achieving competitive advantage.

Problem of the study

The world is witnessing rapid changes due to many different factors such as technological progress, globalization and increased competition and the large size of the companies and the accompanying challenges in achieving its goals as explicit threats making the companies to look for administrative methods to reduce the negative effects by increasing the orientation of companies towards adopting corporate Governance to increase the response to these changes and the possession of the ability to adapt and to respond to all these changes to achieve growth and continuity, so the study problem lies in identifying the impact of corporate Governance in achieving competitive advantage for Jordanian pharmaceutical companies.

Objectives of the study:

The study aims to:

- 1- Identify the concept of corporate governance and its dimensions.
- 2- Identify the concept of competitive advantage and its dimensions.



- 3- Identify the impact of corporate governance in competitive advantage.

Importance of the study

The importance of the study is represented in the followings:

The study deals with the concepts of corporate governance and competitive advantage, so this field study is important within the framework of scientific methods to acquire the knowledge and skills to work to achieve competitive advantage in an environment characterized by rapid changes.

Researcher could benefit from the results of this study as a starting point for further studies in terms of other variables that contribute to achieving competitive advantage.

Hypotheses

The main hypothesis: there is no statistically significant impact at the level of ($\alpha \leq 0.05$) of the dimensions of corporate governance (accountability, justice, social responsibility, autonomy) in competitive advantage.

The first Sub- hypothesis:

There is no statistically significant impact at the level of ($\alpha \leq 0.05$) of the dimensions of corporate governance (accountability, justice, social responsibility, autonomy) in the dependent variable cost leadership.

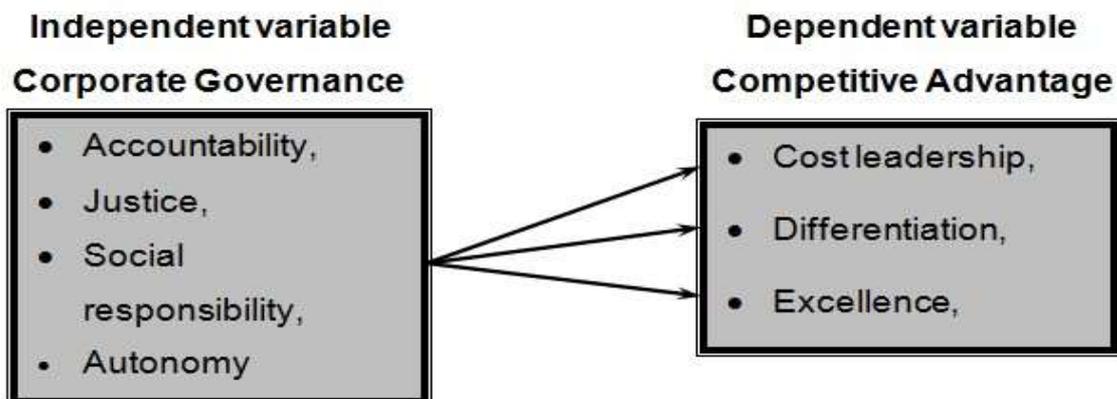
The second Sub- hypothesis:

There is no statistically significant impact at the level of ($\alpha \leq 0.05$) of the dimensions of corporate governance (accountability, justice, social responsibility, autonomy) in the dependent variable differentiation.

The third Sub- hypothesis:

There is no statistically significant impact at the level of ($\alpha \leq 0.05$) of the dimensions of corporate governance (accountability, justice, social responsibility, autonomy) in the dependent variable excellence.

The study model:



Definition of terms

Governance: is the body of laws, regulations and decisions that govern the relationship between the main parties that affect the performance (Williasmson, 2009).

Accountability: managers (Board of Directors, senior management) are held responsible before enterprise's stakeholders for carrying out a defined set of duties or tasks, and for conforming with rules and standards applicable to their posts (Hermanson & Rittenberg, 2003, P: 30).

Justice: respect for the rights of the stakeholders and the distribution of duties and responsibilities between workers on the basis of justice and equality (Saudi Organization for Certified Public Accountants and Professional Ethics, 2007).

Social responsibility: the moral message of the company performed in the community through its duties towards the environment and the protection of workers and the improvement of the services provided to them. (Carroll, 1991).

Autonomy: The abolition of conflicts of interest and the prohibition of any act to influence or to control the decisions issued. (Jane, 2003, P: 242).

Competitive advantage: the company's ability to deliver products that meet the need and the desire of the customer with characteristics of idealism and low cost and in such a way that increase the market share, which will reflect positively on building confidence of the customers (Telbani, 2012).



Cost Leadership: Building a high-efficiency potential and continuing to reduce costs by using expertise and possible control over costs, giving business strategic a defensive force against competitors (Idris and Ghalibi, 2011).

Differentiation: the company's ability to exclusivity in providing products with high specifications and of great benefit to customers in terms of the characteristics of products and after-sales service (Harem, 2006).

Focus: representing the company's ability to obtain part of the market compared to major competitors that achieve high profits in industries which are not primarily pure or rapidly changing. (Younis al-Hiti, 2011).

Previous studies

Study of Abedali (2012) entitled "The Effect of Corporate Governance Implementation upon the Quality of Internal Audit: An Empirical Study in the Industrial Companies Listed at Kuwait Stock Exchange." This study aims at measuring the effect of the pillars of corporate governance implementation on the quality of internal audit in the industrial companies listed in Kuwait Stock Exchange. The study's results concluded that there is an effect of the pillars corporate governance implementation (disclosure, transparency, accountability, responsibility, fairness, independence, laws and regulations) collectively and individually on the quality of internal audit in these companies.

Study (Bashiti & Rabadi, 2009) entitled "Assessing Corporate Governance in Jordan." This study aimed to assess the corporate governance in Jordan, indicated that Jordan has strides in the design and application control policies institutional, of the organization of a sophisticated capital market, and the development and function of the Controller of Companies, and the issuance of the Investment Promotion Law, and all the issues of the theory has not been applied strictly on the ground. The study was conducted on 44 companies, and tested the sample to evaluate the transparency and speed of disclosure and provide information that does not rely on the center to the Securities Depository.

Study of Mahasneh (2007) entitled "The Database Technology and its Impact on Selecting the Competitive Strategy for the Jordanian Drug Companies." study aims to come up with an analysis of the impact of the database technology on selecting the competitive strategy of the Jordanian drug companies, through developing a model which connects the database technology with the competitive strategies of the Jordanian drug companies.

Abu Jarawer study (2009), entitled "The impact of internal and external factors on the e-business application to achieve competitiveness in the Jordanian business organizations." The study aimed to identify the impact of internal and external factors that support to achieve competitiveness in the small and medium-sized business organizations. The study concluded that there is a strong effect relationship of the availability of internal and external factors that support to achieve the competitiveness of business organizations.

(Areiqat et al., 2010) study entitled "The Role of Applying the Best Practice of Recruitment and Selection in Accomplishing the Competitive Advantage." This study aims to demonstrate the role of human resources as main component of the organization in achieving the competitive advantage for the organization. By addressing a study of the Housing Bank for Trade and Finance of Jordan through exploring the recruitment resources and methods that used by the bank, in hiring the best employees, and the role of these methods in achieving the competitive advantage in banking sector. The findings of the study proved that there is a strong relationship between recruitment resources used by the Housing Bank and achieving the competitive advantage, Also a relationship between the quality of the employees and the ability to gain the competitive advantage.

Almubaideen study (2015) entitled "strategic information systems and their impact in achieving competitive advantage in the Jordanian Arab Potash Company." The study aimed to measure the impact of strategic information systems in achieving competitive advantage. The study found that perceptions of the sample of the level of importance of strategic information systems and the level of achieving competitive advantage was moderate in addition to strategic information systems has an impact in achieving competitive advantage in its dimensions (low cost, differentiation, alliances).

Abu Baker study (2012), entitled "The role of strategic information systems to support and achieve competitive advantage in Egyptian insurance companies. The study aimed to determine the role of the strategic information system to influence the competitive strategies. The study found a positive relationship between strategic information system variables (requirements, processes, and characteristics of output) and the variables of supporting and achieving competitive advantage in its dimensions (excellence, cost leadership, creativity, growth, alliances) in the Egyptian insurance companies.

Abu Saleem study (2014) entitled "Measuring the Impact of Implementing the Principles of Corporate Governance in attracting Foreign Investments: Field Evidences from Jordanian Environment." The study aimed to measure the impact of commitment of Jordanian companies to implement the principles of corporate governance in attracting foreign investments. It was found that Jordanian companies is committed to the principles of corporate



governance and this commitment played an important role in attracting foreign investments by enhancing the reliability it created in the financial statements that play important role in building investor trust, and thus enabling companies to become global and capable of competing with others in the international markets.

Study of Ishhadat and Abed Al-Jaleel (2012) entitled "The Effect of Corporate Governance Principles Adoption in The Institutional Investor's Decisions in Amman Bourse." This study examined the effect of corporate governance principles adoption on the institutional investor's decisions in Amman Bourse. It focused on the importance given by Jordanian institutional investors to the adoption of corporate governance principles in shareholding companies. The study concluded that the institutional investors in Jordan give importance to the adoption of all the corporate governance principles on their investment decisions. The researchers recommended further studies as index preparation for corporate governance in Jordan.

Alaqralh study (2008), entitled "What is the availability of governance characteristics dimensions and its impact in the performance of employees in Ministry of Interior." The study aimed to identify the impact of governance characteristics represented in (participation, transparency, accountability, the rule of law, efficiency, equity and responsiveness, consensus-building, strategic vision) in job performance among workers in the Jordanian Ministry of Interior. The study found that respondents' perception of the dimensions of governance characteristics were high and the study pointed out that there is an impact of the dimensions of of governance characteristics job performance. The study recommended that it is important to pay attention to of governance characteristics due to its role in raising the level of performance of employees.

Methodology and design

The study was based on descriptive method and field approach, it has reviewed the most important literature related corporate governance and competitive advantage, as well as referring to the previous studies, an exploratory survey was made and the collected data have been analyzed through the use of appropriate statistical methods, where the study was based on a developed questionnaire.

The study population

The study population is consisted of Jordanian pharmaceutical companies listed in Amman Stock Exchange accounted for (6) companies (Amman Stock Exchange, 2014). The study sample included the administrative and technical leaders of the top and the middle management levels. (125) copies of the questionnaire have been distributed while (123) copies of the questionnaire have been restored constituting (91%) of the total number of the copies of the questionnaire that have been distributed to the sample of the study.

The study tool and its validity:

A Questionnaire was developed to meet the purpose of the study, which included the independent and the dependent variables of the study; it has been graded according to quintet to Likert scale of the study as:

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
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The reliability of the study

The reliability of the questionnaire has been verified through:

- The consistency of reliability: where it was measured using (Test Retest) method as it was applied to 135 individuals.
- Internal consistency by using Cronbach's alpha on the study sample as shown in Table (1). Table (1) consistency coefficients

Dimension	Retest	Cronbach's alpha
Accountability	0.5	0.82
Justice	0.87	0.85
Social responsibility	0.89	0.86
Autonomy	0.84	0.87
Consistency of the independent variable as a whole	0.90	0.88
Cost leadership	0.85	0.86
Differentiation	0.87	0.85
Excellence	0.85	0.84
Consistency of the dependent variable as a whole	0.91	0.90



The coefficients of consistency were high, it ranged (0.89 – 0.84) for the independent variable and it equals 0.90 for the variable as a whole, while Cronbach’s alpha for the independent variable ranged (0.87-0.82) and it was 0.88 for the independent variable as a whole. For the dependent variable the coefficients of consistency ranged (0.87 – 0.85) and it was 0.88 for the dependent variable as a whole. While Cronbach’s alpha for the dependent variable ranged (0.86-0.84) and it was 0.90 for the dependent variable as a whole. The values are accepted for the purposes of scientific research.

Results

Hypotheses Testing: Multicollinearity as well as Variance inflation factor (VIF) were used to make sure that there is no high correlation between the independent variables, Skewness test was used to make sure that the data have normal distribution if its value is less than one and table (2) shows the results.

Table (2) Variance inflation factor, Tolerance and Skewness

Dimension	VIF	Tolerance	Skewness
Accountability	1.121	0.811	0.505
Justice	1.183	0.805	0.166
Social responsibility	1.175	0.790	0.186
Autonomy	1.164	0.823	0.196

It is indicated from table (2) which includes the dimensions of the independent variable and the value of VIF and Tolerance of each variable that the value of VIF of all dimensions was less than 10 and lies (1.183 – 1.121) also it indicates the value of tolerance of all dimensions was greater than 0.05 and ranges (0.823 – 0.790), so one could say that there is no problem related to existence of high correlation between the independent variables. In order to ensure normality of data, skewness coefficient was calculated for the dimensions. The table indicates the values of skewness coefficient for the whole dimensions was less than 1 so there is no problem related to normality of data.

Table (3) Results of (analysis of variance) to make sure of the validity of the model to test hypotheses

Dimensions of the dependent variable	D.O.F	Determination coefficient, R ²	Calculated F value	Sig. of F
Cost leadership	3,120	0.223	*12.85	0.000
Differentiation	3,120	0.335	*14.66	0.000
Excellence	3,120	0.230	*18.14	0.000

* Statistically significant at the level of ($\alpha \leq 0.05$)

The table(3) shows that the study model is valid to test the hypotheses of the study, which emphasizes the impact of corporate governance dimensions in the interpretation of the dimensions of the dependent variable (competitive advantage) in the study sample of the pharmaceutical companies therefore we can test hypotheses of the study.

The main hypothesis: there is no statistically significant impact at the level of ($\alpha \leq 0.05$) of the dimensions of corporate governance (accountability, justice, social responsibility, autonomy) in competitive advantage.

Table (4) The results of multiple regressions analysis to test the impact of corporate governance in the competitive advantage

Dimensions of the dependent variable	Determination coefficient, R ²	B	Standard error	Beta	Calculated T	Sig.
Regression constant	0.370	1.588	0.236		*6.623	000
Accountability		0.203	0.060	0.251	*3.214	000
Justice		0.212	0.048	0.348	*4.275	000
Social responsibility		0.228	0.055	0.355	*4.280	000
Autonomy		0.188	0.050	0.175	*3.325	000

* Statistically significant at the level of ($\alpha \leq 0.05$)

It is shown from Table (4) that the dimensions (accountability, justice, social responsibility, autonomy) had an impact in achieving competitive advantage in pharmaceutical companies as indicated by (Beta) coefficients of these dimensions, also since the calculated value (T) is higher than the tabulated (T) value at the level of significance ($\alpha \leq 0.05$) as the calculated value (T) equal (3.325, 4.280, 4.275, 3.214) respectively, which is



statistically significant at the level of ($\alpha \leq 0.05$). Due to what is shown table (4) the null hypothesis should be rejected and the alternative hypothesis should be accepted. Stepwise Multiple Regression was used to determine the importance of each independent variable separately in contributing to the mathematical model which includes the impact of corporate governance (justice, accountability, social responsibility, and independence) to achieve competitive advantage in the pharmaceutical companies as in Table (5).

Table (5) Results of Stepwise Multiple Regression) to predict the competitive advantage through corporate governance dimensions

Entry order of the dimensions of the dependent variable	Determination coefficient, R ²	B	Calculated T	Sig.
Constant		1.588	*6.623	0.000
Accountability	0.270	0.203	*3.214	0.000
Justice	0.175	0.212	*4.275	0.000
Social responsibility	0.165	0.228	*4.280	0.000
Autonomy	0.170	0.188	*3.325	0.000

* Statistically significant at the level of ($\alpha \leq 0.05$)

Table (5) illustrates the order of entry of the dimensions of the independent variable in regression equation which emphasize its role in achieving competitive advantage.

The first Sub- hypothesis: There is no statistically significant impact at the level of ($\alpha \leq 0.05$) of the dimensions of corporate governance (accountability, justice, social responsibility, autonomy) in the dependent variable cost leadership.

In order to test the hypothesis Stepwise Multiple Regression analysis was used as shown in table (6).

Table (6) The results of multiple regression analysis to predict the cost leadership as one dimension of competitive advantage through the dimensions of corporate governance as independent variables

Entry order of the dimensions of the dependent variable	Determination coefficient, R ²	B	Calculated T	Sig.
Constant		0.840	*5.618	0.000
Accountability	0.155	0.188	*3.680	0.000
Justice	0.045	0.165	*2.955	0.000
Social responsibility	0.048	0.155	*2.010	0.000
Autonomy	0.035	0.166	*2.180	0.000

* Statistically significant at the level of ($\alpha \leq 0.05$)

It is shown from Table (6) that the dimensions (accountability, justice, social responsibility, autonomy) had an impact in cost leadership as one dimension of competitive advantage in pharmaceutical companies as indicated by (Beta) coefficients of these dimensions, also since the calculated value (T) is higher than the tabulated (T) value at the level of significance ($\alpha \leq 0.05$) as the calculated value (T) equal (2.180 , 2.010 , 2.955 , 3.680) respectively, which is statistically significant at the level of ($\alpha \leq 0.05$). Due to what is shown table (6) the null hypothesis should be rejected and the alternative hypothesis should be accepted which states "There is a statistically significant impact at the level of ($\alpha \leq 0.05$) of the dimensions of corporate governance (accountability, justice, social responsibility, autonomy) in the dependent variable cost leadership."

The second Sub- hypothesis: There is no statistically significant impact at the level of ($\alpha \leq 0.05$) of the dimensions of corporate governance (accountability, justice, social responsibility, autonomy) in the dependent variable differentiation.

In order to test the hypothesis Stepwise Multiple Regression analysis was used as shown in table (7).

Table (7) The results of multiple regression analysis to test the impact of corporate governance in differentiation as one dimension of competitive advantage

Independent variable	Determination coefficient, R ²	B	Calculated T	Sig.
Constant	0.335	0.875	0.260	
Justice		0.370	0.255	0.280
Accountability		0.280	0.245	0.275
Social responsibility		0.250	0.065	0.285



Autonomy		0.260	0.230	0.260
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* Statistically significant at the level of ($\alpha \leq 0.05$)

It is shown from Table (7) that the dimensions (accountability, justice, social responsibility, autonomy) had an impact in differentiation as one dimension of competitive advantage in pharmaceutical companies as indicated by (Beta) coefficients of these dimensions, also since the calculated value (T) is higher than the tabulated (T) value at the level of significance ($\alpha \leq 0.05$) as the calculated value (T) equal (3.455 ,3.665 , 3.550, 3.89) respectively, which is statistically significant at the level of ($\alpha \leq 0.05$). Due to what is shown table (6) the null hypothesis should be rejected and the alternative hypothesis should be accepted which states “There is a statistically significant impact at the level of ($\alpha \leq 0.05$) of the dimensions of corporate governance (accountability, justice, social responsibility, autonomy) in the dependent variable differentiation.”

Stepwise Multiple Regression was used to determine the importance of each independent variable separately in contributing to the mathematical model which includes the impact of corporate governance (justice, accountability, social responsibility, and independence) in differentiation as a dimension of competitive advantage in the Jordanian pharmaceutical companies as in Table (8).

Table (8) Results of Stepwise Multiple Regression to predict differentiation as a dimension of the competitive advantage through corporate governance dimensions as in dependent variable

Entry order of the dimensions of the dependent variable	Determination coefficient, R ²	B	Calculated T	Sig.
Constant		0.875	*3.455	0.000
Accountability	0.240	0.400	*3.585	0.000
Justice	0,214	0.370	*3.656	0.000
Social responsibility	0.110	0.380	*3.770	0.000
Autonomy	0.220	0.360	*3.455	0.000

* Statistically significant at the level of ($\alpha \leq 0.05$)

Table (8) illustrates the order of entry of the dimensions of the independent variable in regression equation which emphasize its role in differentiation as dimension of competitive advantage in the Jordanian pharmaceutical companies.

The third Sub- hypothesis: There is no statistically significant impact at the level of ($\alpha \leq 0.05$) of the dimensions of corporate governance (accountability, justice, social responsibility, autonomy) in the dependent variable excellence.

In order to test the hypothesis Stepwise Multiple Regression analysis was used as shown in table (9).

Table (9) The results of multiple regression analysis to test the impact of corporate governance in excellence as a dimension of competitive advantage

Independent variable	Determination coefficient, R ²	B	Calculated T	Sig.
Constant		2.600		
Accountability	0,230	0.065	0.355	0.185
Justice		0.185	0.060	0.156
Social responsibility		0.266	0.155	0.210
Autonomy		0.172	0.170	0.195

* Statistically significant at the level of ($\alpha \leq 0.05$)

It is shown from Table (7) that the dimensions (accountability, justice, social responsibility, autonomy) had an impact in excellence as one dimension of competitive advantage in pharmaceutical companies as indicated by (Beta) coefficients of these dimensions, also since the calculated value (T) is higher than the tabulated (T) value at the level of significance ($\alpha \leq 0.05$) as the calculated value (T) equal (2.135 , 4.125 , 3.465 , 3.885) respectively, which is statistically significant at the level of ($\alpha \leq 0.05$). Due to what is shown table (9) the null hypothesis should be rejected and the alternative hypothesis should be accepted which states “There is a statistically significant impact at the level of ($\alpha \leq 0.05$) of the dimensions of corporate governance (accountability, justice, social responsibility, autonomy) in the dependent variable excellence.”

Stepwise Multiple Regression was used to determine the importance of each independent variable separately in contributing to the mathematical model which includes the impact of corporate governance (justice, accountability, social responsibility, and independence) in excellence as a dimension of competitive advantage in the Jordanian pharmaceutical companies as in Table (10).



Table (10) Results of Stepwise Multiple Regression to predict excellence as a dimension of the competitive advantage through corporate governance dimensions as in dependent variable

Entry order of the dimensions of the dependent variable	Determination coefficient, R ²	B	Calculated T	Sig.
Constant		3.665	*6.855	0.000
Justice	0.210		*5.480	0.000
Accountability	0.195		*3.275	0.000

* Statistically significant at the level of ($\alpha \leq 0.05$)

Table (10) illustrates the order of entry of the dimensions of the independent variable in regression equation where the dimensions of social responsibility and autonomy logged out of the equation which emphasize the role of the other dimensions in excellence in the Jordanian pharmaceutical companies.

Results

1. The results indicated that there is an impact of the dimensions of corporate governance in achieving competitive advantage, as Table (5) and in the order of entry of corporate governance dimensions in the prediction of competitive advantage where the order was (accountability, justice shows, social responsibility, autonomy) respectively. The results of this study agree with the results of the study of (Abdali, 2012).
2. The results indicated that there is an impact of the dimensions of corporate governance in cost leadership as a dimension of competitive advantage as shown in Table (6) The order of entry of the Corporate Governance dimensions as follows: (accountability, social responsibility, justice, autonomy) and the results of this study are consistent with the results of the study of (Mubaideen, 2015).
3. The results of the study indicated there is an impact of the dimensions of corporate governance in differentiation as a dimension of competitive advantage as shown in Table (8), and the order of entry of the Corporate Governance dimensions was as follows: (accountability, independence, justice, social responsibility) and the results of this study are consistent with the results of a study (Abu Baker, 2012).
4. The results of the study indicated there is an impact of the dimensions of corporate governance in excellence as a dimension of competitive advantage as shown in Table (8), the order of entry of the Corporate Governance dimensions was as follows: (justice, accountability). Dimensions of social responsibility and autonomy were out of the model. The results of this study are consistent with the results of a study (Abu drawer, 2009).

Recommendations

1. The need to strengthen the dimensions of corporate governance in Jordanian pharmaceutical companies due to the importance of such rules and regulations, helping to create an organizational environment that is correct.
2. The need to deepen the concept of justice and accountability and the good selection of the administrative leadership under the standards of efficiency.
3. Work on promoting the concept of competition through the rule of interaction by dialogue between individuals and providing opportunities for growth and development.
4. The need to take advantage of the experiences of others in the subject of governance and the promotion of the concept of achieving competitive advantage
5. Work to take advantage of the potential of individuals and the achievement of the common good guide.

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