



Governance Committee Effectiveness and Company Growth: Moderating Role of CEO Ownership

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ABSTRACT

The current study utilizes resource dependence theory and the agency theory to investigate whether there is an interaction effects of CEO ownership on the relationship between the characteristics of governance committee and company growth, specifically asset growth. Additionally, this study examines whether the characteristics of governance committee affect asset growth in Jordanian companies. The study sample includes 69 firms listed on the Amman Stock Exchange from 2017 to 2023, with the financial sector excluded, resulting in 483 firm-year observations. A significant negative association between the governance committee size and company growth was found. However, findings also reveal insignificant positive relationships between company growth and both gender diversity and the frequency of governance committee meetings, with an insignificant negative relationship between the independence of the governance committee and company growth. In addition, the study's outcomes also show that CEO ownership interacts with the size and independence of the governance committee, and leads to improving company growth. Thus, the findings of this study are important for investors, owners, and board of directors, concerning the role of CEO ownership in emerging markets. This study offers empirical evidence and analysis, contributing to the heated debate on good CG practices and mechanisms, such as the effectiveness of the governance committee in a firms that are characterized by high ownership concentration.

Keywords: Company Growth, Corporate Governance, Governance Committee, Agency Theory, Resource Dependence Theory, CEO Ownership

JEL Classifications: M41, G34, G38

1. INTRODUCTION

Generally speaking, because of growing concerns about financial scandals, corporation fraud, financial collapses, and misleading financial reporting, investigations into the value and contributions of corporate governance (CG) have become more prevalent in both developed and developing countries. CG emphasises the relationships among various relevant parties in companies, such as the firm's management, and owners. Cadbury (1992, p. 15) defines CG as "the system by which companies are directed and controlled". Furthermore, CG practices are arranged to distribute responsibilities and rights among various parties in companies (e.g., owners, the board of directors, and management). CG also includes setting out the laws, rules, procedures, and regulations for decision-making, monitoring, and directing decisions about

companies' affairs. CG this comprises a series tools aimed at boosting fair dealing among these related parties, which promotes impartiality, transparency, and accountability. Thus, CG's main objective is to manage businesses to ensure their growth, by aligning owners' interest with those of these other various relevant parties.

CG practice is starting to involve the use of mechanisms to monitor a firm's management to maximising shareholders' wealth. In previous studies, researchers have shown that governance committees' roles of monitoring and controlling manager's practices are vital to CG. The governance committee is responsible for encouraging consistency in applying the optimal practices of governance firm-wide. It is claimed that governance committees operate to prevent management from using illicit accounting

practices to hide mismanagement of the company's resources (Butar, 2019). Hence, the presence of a governance committee is very important to ensure proper practices in all firms. It is argued that corporations with a governance committee are probably to provide reliable financial reports (Butar, 2019), which leads to improving shareholders' confidence in financial statements and, in turn, maximising shareholders' wealth.

A governance committee which is constituted is a pioneering step in guaranteeing that its members are independent with no pressure exerted on them. In this context, it is argued that the committee members are given sufficient power to carry out their responsibilities with integrity and freedom. Supporting this argument, Efenyumi et al. (2022) reports that the constituted governance committee can be selected from the best members of the board of directors and thereby reduce agency problems and enhance firm growth. It is claimed that the CEO in firms that have adopted governance committees has less power than independent directors (Jones et al., 2015). In this situation, external directors' power is increased, thereby enhancing their independent influence on firms' boards.

In developed countries, for example, a number of boardrooms voluntarily formed governance committees in the U.S. in the late 1990s in order to strengthen the quality of their companies' governance. Nevertheless, the wave of financial company scandals, such as Enron and Arthur Andersen in 2001 in 2002 respectively has led observers to "question the board's ability to monitor management" (Mizuchi, 2004, p. 614). Consequently, widespread concern arose over CG practices along with increased external pressure for companies to set up governance committees. In 2003, this led to the NYSE mandating that all firms listed there must maintain active governance committees consisting only of independent directors. This contrasts with the general case of developing countries. To take the example of Jordan, the Jordanian code of CG did not include regulations requiring companies traded on the Amman Stock Exchange (ASE) to establish a governance committee until 2016. By 1 January 2017, it was mandatory that all firms listed on that exchange must establish governance committees.

In recent years, the vital role of CG, especially the governance committee, has grown in momentum among board members and researchers, in particular within emerging markets. Such markets, like Jordan with its developed business environment, provide unique opportunities and challenges, due to their unique institutional frameworks, practices of governance, and social, cultural, and economic complexities (Al Frijat et al., 2024). Supporting this view, Rashid (2015) observes that what affect CG practices tremendously are countries' institutions and their differences.

The Jordanian market, with roots dating back to 1930, is considered the second largest market in terms of market capitalisation in the region of Middle East and North Africa (Albawwat, 2022). In Jordan, the market environment for trading securities is organised, equitable, secure, and transparent, with political stability. This environment increases confidence in the

stock market. Furthermore, currently there exists substantial cooperation between Jordanian corporations and several branches of major international corporations. In this process, several official bodies in Jordan, such as Jordan Securities Commission (JSC) and ASE are seeking to improve the CG practices of Jordanian firms (Alhusban et al., 2020). This makes Jordan's market an attractive destination for foreign investment in the region. These facts contribute to Jordan's market being an exemplary context for thorough investigation of the characteristics of governance committee. Such committee has only been obligatory for Jordanian companies since 2017.

The characteristics of governance committee has not yet been examined in detail in Jordan. The mandatory adoption of governance committee among Jordanian firms from 2017 provides an opportunity to study governance committee effectiveness and their influence on company growth. Therefore, this study is an examination of whether governance committees' features influence company growth in Jordan's institutional context.

This study offers insights which may have parallels with various other emerging markets facing similar challenges. In this sense, its aim is twofold: to contribute to the academic debate on governance committees' characteristics in such settings and to provide international businesses with insights informing practice.

This study has two goals. First, it investigates the relationship between the governance committee's characteristics (gender diversity, frequency of meetings, size, and independence), and company growth in Jordan, an up-and-coming economy. Second, it examines CEO ownership's potential impact on the connection between the governance committee's characteristics and company growth. Therefore, this research adds substantially to the current relevant literature in addressing these objectives amidst the uncertainties which are the legacy of the Covid-19 pandemic.

Numerous contributions arise from inquiry of this study. First, this study contributes to the relevant literature by identifying the characteristics a board should have, particularly those related to members of the governance committee. Previously, researchers, such as (Efenyumi et al., 2022; Khalid, 2020) have raised concerns about inadequacies in the capabilities and understanding of board members, especially regarding the establishment of the governance committee, particularly within developing markets. This underscores the timely relevance of this study. Such capabilities include many of aspects, such as diversity, board competence, expertise, and ownership structures. In Jordan, the ways in which a company is controlled are frequently internal, with the corporation's founding family having a high ownership stake (Al-Msiedeen and Al-Sawalqa, 2021).

This study builds on earlier research by providing a more detailed view, highlighting competencies vital for optimal performance of governance committee members and, therefore, improvement of firm value in such turbulent times. Second, this study presents a pioneering assessment about board members' performance and ability to form an ideal governance committee. Finally, while developed markets have been the focus of burgeoning studies in

the realm of CG and its issues during the pandemic, this study is an examination of these features within developing markets. This fills an important gap in academic debate surrounding this topic.

The remainder of this study is organised as follows. Section 2 is a review of governance committees in Jordan. Section 3 is a description of the study's theoretical framework. Section 4 includes a literature review which justifies the hypotheses development. In section 5, it gives details of the research design. A discussion of the empirical results in section 6.

2. GOVERNANCE COMMITTEE IN THE CONTEXT OF JORDAN

In 2003, the JSC announced the first CG code for Jordanian ASE-listed companies, with voluntary adoption. Jordan issued a new CG code with a comply or explain approach in 2008. The JSC then declared Circular No. 12/1/4659, requiring all ASE traded firms to adopt the CG code in 2009. This did not include that listed firm boards institute governance committees. Because Jordan's CG practices have come into the spotlight, several CG reforms have been conducted to strengthen governance quality. Among these, it was mandated that all firms traded on the ASE must establish governance committees by 1 January 2017 (Al-Begali and Phua, 2023a; Al-Msiedeem et al., 2024). It is clear from this brief history that the governance committee as a concept is fairly new in Jordanian firms.

Several committees are shaped by the board of directors in Jordan. After 2017, the duties of the governance committee were stipulated: preparation and submission of the governance report to the board of directors, development of written procedures for applying these instructions, annual review and assessment of their application, ensuring company compliance with these instructions' provisions, and the study of the JSC's observations of CG as applied in the firm (Altawalbeh, 2020). The board of directors in Jordanian firms is responsible for adopting the governance report and including it in the firm's annual report (JSC, 2017).

Based on the Jordanian CG code in 2017, the governance committee structure must include three non-executive board members, with two of them being independent, the governance committee's chair must be an independent director, as will also be and the majority of board members. The governance committee meets periodically, not less than twice yearly (JSC, 2017).

3. THEORETICAL FRAMEWORK

To obtain a logical answer to the question whether the governance committee and its different characteristics add value to the company by promoting company growth, the governance literature often employs two primary theoretical lenses, namely agency theory and resource dependence theory, for reasons outlined below.

3.1. Agency Theory

Agency theorists argue mainly on the situation of separation of ownership and management in organisations (Eisenhardt, 1989;

Fama and Jensen, 1983; Jensen and Meckling, 1976). Agency theorists consider that an inevitable conflict exists between related parties, such as owners (the principals) and managers (the agents). This conflict motivates agents to increase their wealth, against those of owners. On the other hand, this conflict creates agency costs, also referred to as agency problems. Thus, agency theorists regard agency problems as prevalent if the company boardrooms are controlled by executive directors (Nicholson and Kiel, 2007). Hence, proponents of agency theory suggest that a board of director with large number of independent directors may advise and monitor managers who will encourage Shareholders' interests.

Therefore, in a business environment without monitoring mechanisms, and rules, firms' management are probably diverging from protecting the shareholders' interests. The theory suggests that managers (the agents) should operate on behalf of the owners' (the principals') interest to avoid opportunistic behaviour. This would help by aligning the interests of the principals and agents.

3.2. Resource Dependence Theory

Resource dependence theorists (Pfeffer, 1972; Pfeffer and Salancik, 1978) argue that need firms need access to external resources, such as capital and expertise to achieve their objectives. Pfeffer (1972) consider the boardrooms as a necessary tool used in managing the firm in its institutional and economic setting. Drawing on this theory, internal CG structures, particularly the board of directors, operates as a connection between the firm and its resources, and in addition, monitors the managers, to improve firm value. Therefore, the board of directors influences the firm's access to necessary resources for firm growth. Supporting this argument, Johnson et al. (1996, p. 411) reported the boardrooms as "a means for facilitating the acquisition of resources critical to the firm's success". It is argued that the expertise and knowledge of the manager are critical elements in managing corporations. Hence, the board of directors has three key functions: resource dependence, service, and control (Johnson et al., 1996).

In the case of Jordan, the board of directors is required to set up committees, such as the governance committee, comprised mostly of independent directors (Haniffa and Cooke, 2002), that can provide invaluable resources (e.g., management and financial expertise, independent suggestions, knowledge, and special skills) to the owners. It may be argued that members of the governance committee, who have strong networks in their firms, whether internally or externally, contribute critical insights linked with better access to essential resources. Following prior studies (e.g., Efenyumi et al., 2022), this study relies on resource dependence theory and agency theory. In this research, we assume that independent directors offer various necessary resources, advice, and forms of monitoring the firm.

4. LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

As shown above, the governance committee as a concept is still relatively novel in Jordan, and established as mandatory only

by 1 January 2017. Before 2016, no listed companies adopted governance committees voluntarily.

In the Jordanian scenario, many previous studies on board committees exist. The majority address the characteristics of the various committees, such as risk management committee, audit committee, and their influence on firm performance, audit fees, earning management, and financial report quality (e.g., Aldegis et al., 2024; Alduneibat, 2023; Alkelani et al., 2020; Alqatamin, 2018; Alqatamin and Alqatamin, 2024; Malahim, 2023; Shbeilat, 2023).

It is argued that revenue and financial returns growth are important factors of firm success. Given that in Jordan governance committees are comparatively new, there are few empirical studies of their characteristics (i.e., gender diversity, frequency of meetings, size, and independence). Regrettably, the influence of governance mechanisms on firm growth has been largely neglected (Block and Fathollahi, 2023; Miroshnychenko et al., 2021). Thus, the conclusions of this research have major implications for various official Jordanian bodies. This also answers the call of some prior researchers (e.g. Çakalı, 2022; Khalid, 2020) that further studies are necessary to understand governance committees' effectiveness in enhancing firm growth. This study's five hypotheses are presented and justified below.

4.1. Gender Diversity of Governance Committee

Generally, the theory of resource dependence claims that a board gender diversity works to facilitates access to unexploited resources, which in turn, improves a firm's growth (Brahma et al., 2021). The relationships among governance quality, gender diversity, and firm value have long been researched, with most earlier studies focussing on firm performance. So far, there have been mixed, inconsistent, and contradictory findings concerning the link between women and company performance. However, the general rationale behind favouring female directors is that they can have different perspectives, and therefore, can affect a firm's decisions (Abdul Hameed and Counsell, 2012; Peni and Vähämaa, 2010).

This has been substantiated by many studies in various ways. It is argued that board gender diversity should be strengthened as female directors' presence is positively associated with greater economic benefits (Reguera-Alvarado et al., 2017). Furthermore, board gender diversity can decrease the problem of information asymmetry (Abad et al., 2017). Carter et al. (2010) claimed that board gender diversity will likely present unique information for superior decision-making. Further, boardrooms with high gender diversity assists in alleviating financial reporting errors, and ultimately, reduced fraud (Wahid, 2018). The existence of female directors increases attendance at boardrooms meetings, and ultimately, accomplishes positive governance outcomes (Adams and Ferreira, 2009).

Hence, the idea of growing gender diversity on corporations' boardrooms is supported by the resource dependence view. Jurkus et al. (2011) supports this idea, especially for those firms with a weak CG system: female directors bring greater benefits due to they have larger motivations and more professional backgrounds

compared to male directors. The evidence from these studies leads to the following hypothesis:

H₁: The governance committee's gender diversity is positively related to a company's growth in Jordan.

4.2. Frequency of Meetings

The number meetings of governance committee reveals how effectively they control and monitor the company, and the governance literature uses this number as a reliable proxy to measure governance committee effectiveness (Srinidhi et al., 2020). Huang et al. (2009) point out that the number meetings of board are a significant indicator for a board's activity level and corporations with more board meetings will be more likely to set up a governance committee. It is believed that frequent governance committee meetings establish a strong environment to access optimal performance, indicate better scorecards for managers, and promote integrity among members (Efenyumi et al., 2022). Hence, board meeting frequency is critical evidence of the diligence of boards.

As argued by Srinidhi et al. (2020), more frequent governance committee meetings represent members' better efforts to address the issues on hand, which probably results in more information transmitted. Huang et al. (2009) finds a positive relationship between the existence of the governance committee and board meetings. Therefore, greater governance committee meeting frequency is indicative of enhanced governance quality and effectiveness.

Therefore, a more active governance committee can improve effectiveness of board of directors and eventually firm performance by revising governance procedures and evaluating compliance with boardroom strategies (Henri and Héroux, 2019). This aligns with the guidelines applied by Jordan's code for CG, which requires members of a governance committee to meet at least two times a year. Consistent with the above arguments, the following hypothesis has been developed:

H₂: There is a significant positive association between the frequency of meetings of a governance committee and a company's growth in Jordan.

4.3. Governance Committee Size

Previous researchers have claimed a governance committee's effectiveness depends, in part, on the committee's characteristics, of which size is one. Governance committee size is a comprising of number of members in the governance committee (Abdul-Baki et al., 2024). The size of committees such as the governance committee determines the ways in which the board operates. However, former studies on the nexus between larger committees and company performance have not been consistent or conclusive. Larger committees are more likely to be related with lower transparency, lower quality disclosure, and are more subject to manipulation (Peters and Romi, 2012).

Committees also improve individual directors' accountability by giving them particular responsibilities and tasks. In this way, the board reduces the free-rider problem within committees, increases

knowledge, and improves independence by separating executive and independent directors in committees such as governance committees (Srinidhi et al., 2020). Thus, larger committees can enhance independence, accountability, and task specialisation. Supporting this argument Ellwood and Garcia-Lacalle (2016) confirm that larger committees probably have greater diversity in terms of professional backgrounds and intellectual capabilities. Hence, larger governance committees can present better controlling of the accounting process and eventually improve the firm growth.

Based on the resource dependence theory, a governance committee's effectiveness is higher when there are more members of this committee, with more resources, expertise, and knowledge, all of which are critical elements in managing corporations. Thus, drawing on the dependence theory perspective and consistent with these arguments, the following hypothesis has been formed:

H₃: There is a significant positive relationship between the size of a governance committee and a company's growth in Jordan.

4.4. The Independence of the Governance Committee

Huang et al. (2009) state that a governance committee's effectiveness depends on its composition. Other argue this composition indicates its independence (Hall et al., 2005). The committee that directly influences restructuring the board of directors into an independent force within the firm to provide balances and checks on management is the governance committee (Hall et al., 2005). It is argued that a governance committee's independence improves its ability to control and discipline a company's management. Huang et al. (2009, p. 710) report that the presence of a governance committee is a significant positively linked with independence of board and this committee can alleviate agency costs by "constraining managerial accounting discretion".

By using a sample of 76 firms listed on the Nigerian Exchange Group from 2012 to 2021, Efenyumi et al. (2022) confirm that the independence of the governance committee has a negative significant effect on earnings management. Therefore, companies with greater independent directors tend to be established an entirely independent governance committee (Huang et al., 2009). Thus, the existence of independent directors in the governance committee supports enhancing governance quality. Hence, this hypothesis has been posed:

H₄: The independence of a governance committee is positively associated with a company's growth in Jordan.

4.5. Ceo Ownership and the Governance Committee Characteristics

Overall, the ownership structure is one of the mechanisms influencing the CG of any country. Corporate ownership structures play a vital role in achieving a company's objectives, owners' wealth, and how directors of a corporations are disciplined (Prevost et al. 2002). As well, centralised ownership structures act as better monitors, especially for countries with a weak CG system where protection of the investor is weak (Alhababsah, 2019).

Although the separation of ownership and management is more likely to make monitoring by external shareholders more difficult

and costly, shareholders' and directors' aims may be aligned when directors hold an ownership stake in their firm. Some prior studies suggest that an increase in the ratio of equity owned by directors will probably result in higher firm value by managers' and shareholders' interests being aligned (Jensen and Meckling, 1976). Drawing on agency theory, the agency costs between management and owners can be alleviated by director ownership.

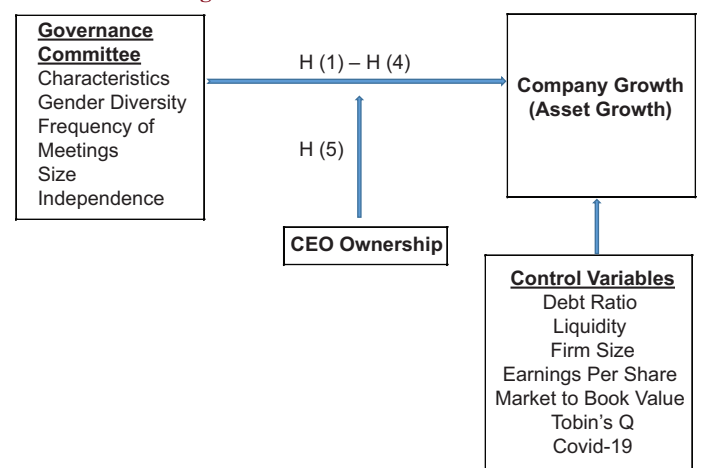
In the context of Jordan, the corporate control tools are generally insider oriented, including a high concentration of family ownership (Al-Msiedeem and Al Sawalqa, 2021). That is, the main owners own important stakes of shares in a single firm and, in general, are on the board of directors (Xu and Wang, 1999). Hence, executive positions in family corporations are almost always appointed by founding family members.

It is believed that the family members' reputation is an important element to consider in the family corporation. As noted by Anderson and Reeb (2003), family-owned firms' reputation serves as an encouragement to boost firm growth. In Jordan, this is important as a company's name is associated with the founding family's reputation (Alhababsah, 2019). Alhababsah (2019, p. 10) stated that "In Jordanian society, people tend to boast of business success and could feel shame in the event of business failure". Family members who own firms are well-known in their society, therefore, seek to uphold their social status. Hence, it is argued that a CEO would be more interested in saving owners' funds by aligning the interests of the manager and owners to guarantee the level of owners' returns. According to this argument, a high stake owned by a CEO can support good governance committee practices in Jordan. Therefore, it is expected that CEO ownership will be a moderator in the association between the characteristics of governance committee and a company's growth in Jordan. Consequently, the following hypotheses is presented:

H₅: The association between the characteristics of a governance committee and a company's growth will be moderated by CEO ownership in Jordan.

Figure 1 presents the relationship of these hypotheses in accordance with the theoretical framework of this research.

Figure 1: The theoretical framework



5. RESEARCH DESIGN

5.1. Sample Selection and Data Collection

The study's population involves of all non-financial firms (service and industrial sectors) listed on the ASE during the period from 2017 to 2023. Drawing on the 2017 update of the Jordanian code of CG (Al-Begali and Phua, 2023a; Al-Msiedeen et al., 2024), all firms registered on the ASE must have governance committees. From review of the annual reports of ASE, as at the end of 2023 there were 167 ASE-listed companies (ASE, 2023). Consistent with previous studies, such as Al-Begali and Phua (2023a), we excluded firms in the financial sector, such as insurance and banking sectors as they have different CG features. Companies were also omitted which were not listed for the entire study period. Furthermore, firms with inadequate data for the study's aims were left out. The final sample comprises 69 firms (483 firm-year observations).

In the Jordanian market, annual financial reports published on the ASE website are the main data source. Therefore, this study relies on the ASE to obtain the data associated with governance committee characteristics, CEO ownership, company growth, and the other control variables.

5.2. Variables Measurements

5.2.1. Dependent variable measurement

In this study, the main dependent variable is company growth. This study uses asset growth (AGRW) as a reliable proxy for company growth. According to Karimah et al. (2024, p. 34), such growth "refers to how far a company positions itself within the overall economic system or its industry's economic framework". In other words, company growth refers to the ability of a firm to expand its works and grow its assets over time, with increased levels of sales alongside market expansion. Thus, the current study uses AGRW as a measure of a company's growth.

AGRW refers to changes in firm's asset quantities during a particular period, measuring the capacity to increase holdings of its asset (Karimah et al., 2024), and therefore, firms have the opportunity make gainful investments. In a similar vein, Larasati and Betharia (2024) point out that firms with great asset growth have a higher performance in creating profits. Santioso and Daryatno (2024) indicate that the ASSGRW reflects the annual growth change that happens in a firms from the firm's total assets in the earlier year to the total assets of the firm in the following year. Therefore, AGRW is determined as the percentage of the $(\frac{[\text{total asset}_t - \text{total asset}_{t-1}]}{\text{total asset}_{t-1}})$ (Bangun et al., 2024; Santioso and Daryatno, 2024).

5.2.2. Measurement of Independent Variables

There are four independent variables in the current study related to the governance committee: Governance committee gender diversity (GCOGD), frequency of governance committee meetings (GCOMET), governance committee size (GCOSIZ), and governance committee independence (GCOIND). Following previous studies, GCOGD is the proportion of female directors on the governance committee (Çakalı, 2022). GCOMET is calculated by the number of governance meetings held within

the year (Efenyumi et al., 2022). GCOSIZ is the number of governance committee members within the financial year (Abdul-Baki et al., 2024). GCOIND is the ratio of independent directors to the total number of the governance committee members (Çakalı, 2022).

5.2.3. Measurement of moderator variable

The current study uses CEO ownership (CEOOW) as an independent variable and also moderating variable in order to discover its impact on the association among the presence of a governance committee, its characteristics, and a company's growth. CEOOWN is the ratio of total shares held by a CEO to the total number of a firm's shares, consistent with earlier studies (De Silva and Banda, 2022; Kubo and Nguyen, 2021).

5.2.4. Measurement of control variables

Following earlier studies (Al-Begali and Phua, 2023a; Al-Msiedeen et al., 2018; Certo et al., 2024; Imamah et al., 2019; Sari et al., 2022), a number of control variables are taken into account. These are: debt ratio (DR), liquidity (LIQ), firm size (FSIZE), earning per share (EPS), market to book value (MKTBV), and Tobin's Q. In addition, this study utilised the Covid-19 (COVID) as another control variable. This pandemic happened in 2020 and 2021 (Rahmawati and Komariyah, 2023) and, as with other economies around the world, it had an important impact on the Jordanian market. Thus, this variable is considered as a dummy variable coded one for the period from 2020 to 2021 during the outbreak and zero for the period before the outbreak from 2017 to 2019 and after the outbreak from 2022 to 2023 (Al-Begali and Phua, 2023b). Previous researchers (e.g., Amalia et al., 2023; Retanubun et al., 2024; Tahu and Yuesti, 2023) have found that the Covid-19 pandemic influenced company growth. Table 1 shows the measurements of all study variables.

5.3. Regression Model Specification

This research's aim is to explore how a company's growth in Jordanian firms is influenced by the characteristics of a governance committee, it employs the following model:

$$\text{AGRW}_{it} = \beta_0 + \beta_1 \text{GCOGD}_{it} + \beta_2 \text{GCOMET}_{it} + \beta_3 \text{GCOSIZ}_{it} + \beta_4 \text{GCOIND}_{it} + \beta_5 \text{DR}_{it} + \beta_6 \text{LIQ}_{it} + \beta_7 \text{FSIZE}_{it} + \beta_8 \text{EPS}_{it} + \beta_9 \text{MKTBV}_{it} + \beta_{10} \text{Tobin's } Q_{it} + \beta_{11} \text{COVID}_{it} + \text{Year fixed effects} + \varepsilon_{it} \quad (1)$$

This study also examines the impact of CEO ownership on the association between the governance committee characteristics and a company's growth. It uses the following model:

$$\text{AGRW}_{it} = \beta_0 + \beta_1 \text{CEOOW}_{it} + \beta_2 \text{GCOGD}_{it} + \beta_3 \text{GCOMET}_{it} + \beta_4 \text{GCOSIZ}_{it} + \beta_5 \text{GCOIND}_{it} + \beta_6 \text{GCOGD} * \text{CEOOW}_{it} + \beta_7 \text{GCOMET} * \text{CEOOW}_{it} + \beta_8 \text{GCOSIZ} * \text{CEOOW}_{it} + \beta_9 \text{GCOIND} * \text{CEOOW}_{it} + \beta_{10} \text{DR}_{it} + \beta_{11} \text{LIQ}_{it} + \beta_{12} \text{FSIZE}_{it} + \beta_{13} \text{EPS}_{it} + \beta_{14} \text{MKTBV}_{it} + \beta_{15} \text{Tobin's } Q_{it} + \beta_{16} \text{COVID}_{it} + \text{Year fixed effects} + \varepsilon_{it} \quad (2)$$

The dependent variables, independent variable, moderating variable, and control variables in this study are displayed in Table 1.

Table 1: Variables and their measurement

Variable	Abbreviation	Measurement
Dependent variable		
Asset growth	AGRW	The ratio of the annual change in assets.
Independent variables		
Governance committee gender diversity	GCOGD	The percentage of female directors on the governance committee.
Governance committee meeting frequency	GCOMET	The number of governance meetings held within the year.
Governance committee size	GCOSIZ	The total number of governance committee's members.
Governance committee independence	GCOIND	The ratio of independent managers to the total number of governance committee members.
Moderator variable		
CEO ownership	CEOOW	The proportion of total shares owned by the CEO to the total number of a firm's shares.
Control variables		
Debt ratio	DR	The percentage of total debt to total assets.
Liquidity	LIQ	The current ratio, gained by dividing current assets by current liabilities.
Firm size	FSIZE	The natural logarithm of the total assets.
Earnings per share	EPS	The net income after tax, divided by total shares outstanding.
Market to book value	MKTBV	The market value divided by the book value.
Tobin's Q	Tobin's Q	The company's market value of outstanding shares plus the book value of liabilities, divided by its book value of total assets.
Covid-19	COVID	The dummy variable coded one for the period from 2020 to 2021 during the outbreak and zero for the period before the outbreak from 2017 to 2019 and after the outbreak from 2022 to 2023
Year fixed effects		The year dummies.

6. EMPIRICAL RESULTS AND DISCUSSIONS

6.1. Descriptive Statistics

Descriptive statistics of the examined variables are reported in Table 2 which reveals that the average company growth in terms of AGRW is 2 %. Despite the negative impact of the COVID on Jordanian firms, some growth in assets persisted. Increasing assets growth can present a positive indicator to outsiders and reflects that firms have a satisfactory performance.

On average, the means of GCOGD, GCOMET, GCOSIZ, and GCOIND are 2.8%, 1.576, 2.749, and 45.6%, respectively. Regarding gender diversity of the governance committee, 2.8% of members of governance committee in Jordanian firms are female and 97.2% did not, indicating very weak representation of women possibly due to the country's social and cultural context (see the discussion on hypotheses testing below). As for the frequency of meetings, while a minimum of two meetings per year is mandated by the CG code, governance committee meeting frequency during the financial year is 1.576. This number is somewhat inconsistent with the Jordanian CG code. The average governance committee size was 2.749 members with 45.6% of members being independent. These numbers are somewhat consistent with Jordanian CG code which states that a governance committee must contain three non-executive members as a minimum, with at least two of these being independent directors.

In this study, control variables display that the average DR is 36.3%, while the average LIQ is approximately 3%. The mean FSIZE is 17.453, and the mean EPS is 15.8%, suggesting that firms, on average, have EPS. Also, the mean MKTBV is 1.513. The mean COVID is 28.6%, indicating that some listed firms were affected by the Covid-19 pandemic.

Table 3 displays the correlation matrix among the independent variables of the current study. A correlation coefficient of <80% does not lead to a multi-collinearity problem (Gujarati, 2003). As Table 3 shows, all coefficients of the variables are very low (<70%).

6.2. Hypotheses Testing

Table 4 summarises the empirical results for the nexus between the governance committee characteristics and company's growth as measured by AGRW. Notably, Table 4 demonstrated an unimportant positive connection between the characteristics of a governance committee (i.e., GCOGD and GCOMET) and a company's growth as measured by AGRW. Table 4 confirmed a significant negative association between GCOSIZ and AGRW and a non-significant negative relationship between GCOIND and AGRW. Some governance committee variables, namely GCOSIZ, and GCOIND, indicated a negative coefficient, or a mitigation of company growth. This suggests that when companies have a higher number of members on governance committee, this results in negative company growth, which may be considered counterintuitive.

Though these results may contradict the extant literature, they can be expected for various reasons related to the social and cultural background of these firms, positioned as they are in the developing country of Jordan (Kamaludin et al., 2020). Jordan has a distinct social and cultural setting, quite unlike developed countries. Social and cultural differences can influence leadership, management decisions, and individual behaviour. Supporting this argument, Wellalage and Locke (2013, p. 114) indicate that "management and leadership philosophies typically develop in synchronisation with the culture".

In Jordan, sometimes social and cultural values trump financial concerns and wealth. Family and friendship play a vital role in

the functioning of organisations and groups (Bjerke and Al-Meer, 1993). This is because the firms' official planning systems "and business policies may become only 'shells' or 'facades' within which smaller groups" and families act at the expense of the effectiveness of the firms as a whole (Bjerke and Al-Meer, 1993, p. 33).

Another explanation is that, in developing countries, the rules and official systems are not followed. Jordan has a weak institutional setting, with a lack of some external monitoring mechanisms (Al-Msiedeen et al., 2024). Also, unpredictable legal enforcement results to weak compliance by Jordanian firms (Al-Msiedeen et al., 2024). Thus, there are neither sufficient nor comprehensive CG practices in Jordan (Al Sawalqa and Al-Msiedeen, 2021; Mansour et al., 2023). Arguably, in this environment, the formation of a governance committee is only in order to comply with regulatory requirements, but not in the spirit of good CG practices.

Given Jordan's unique cultural context, it is believed that setting up a governance committee in order to provide effective oversight and monitoring may not be applauded in some corporations, especially if the firms are controlled and managed by their owners. Alhababsah (2019) documents that in Jordanian companies' ownership is mainly concentrated in the fewer hands of the company's founding family, resulting in great levels of control. Arayssi and Jizi (2019) report that the installation of a governance committee enhances the quality of a corporation's governance. However, in their study, there is less ownership concentration and higher female representation in boardrooms.

Table 2: Descriptive statistics of the sample

Variable	Obs.	Mean	Standard deviation	Min.	Max.
AGRW	483	0.02	0.121	-0.459	0.727
GCOGD	483	0.028	0.099	0	0.666
GCOMET	483	1.576	1.006	0	6
GCOSIZ	483	2.749	1.224	0	6
GCOIND	483	0.456	0.303	0	1
DR	483	0.363	0.236	0.003	0.998
LIQ	483	2.965	7.82	0.021	89.891
FSIZE	483	17.453	1.536	12.905	21.486
EPS	483	0.158	0.63	-0.637	8.693
MKTBV	483	1.513	5.186	0.117	104.784
Tobin's Q	483	0.78	1.69	0.089	34.4
COVID	483	0.286	0.452	0	1

Table 3: Correlation matrix of variables

Variable	GCOGD	GCOMET	GCOMSIZ	GCOMIND	DR	LIQ	FSIZE	EPS	MKTBV	Tobin's Q	COVID
GCOGD	1.000										
GCOMET	0.031	1.000									
GCOSIZ	0.116	0.609	1.000								
GCOIND	0.033	0.415	0.465	1.000							
DR	0.037	-0.071	-0.006	-0.119	1.000						
LIQ	0.050	-0.128	-0.149	-0.068	-0.278	1.000					
FSIZE	0.110	0.030	0.134	-0.154	0.446	-0.221	1.000				
EPS	0.050	0.009	0.221	-0.095	-0.038	0.011	0.370	1.000			
MKTBV	0.023	-0.019	0.001	-0.061	0.125	0.035	-0.032	-0.013	1.000		
Tobin's Q	-0.020	-0.086	-0.043	-0.081	-0.193	0.198	-0.227	0.048	0.382	1.000	
COVID-19	0.008	0.158	0.163	0.050	0.016	-0.014	-0.016	-0.051	0.063	-0.016	1.0

Superscript asterisks are as follows: ***Significance at the 0.01 level; **Significance at the 0.05 level; *Significance at the 0.10% level

Previous studies indicate that the installation of a governance committee has a negative result on environmental, social, and governance disclosure. This echoes the observation by Lee et al. (2022) who argue that there is no separation of duties and responsibilities within the CG structure to regulate governance explicitly, due to an overlap of tasks between other committees and the governance committee.

Arayssi and Jizi (2019) noted that companies which delegate governance tasks to a specialized committee, the quality of board of directors controlling can be improved. Further elaborating on this theme, Arayssi and Jizi (2019) support the idea that companies without a governance committee depend on independent managers on boardrooms and their financial performance outperforms those with a governance committee. In the context of Turkey, Şener and Karaye (2015) point out that the installation of a governance committee has a significantly negative association with company performance in terms of return on equity. They argue that political and environmental factors, the quality of legislation, disclosure mechanisms, securities, the level of enforcement, and market liquidity all play a vital role in the governance system in diverse geographic settings (Şener and Karaye, 2015).

Yet another factor is that governance committee members may be constrained by their experience and education to handle the financial issues in their firms. Conceivably, this may negatively affect a governance committee's performance (Sukmaningsih and Ermaya, 2022). As concluded by Boucekoua et al. (2010) and Huang et al. (2009), completely independent directors on a governance committee do not influence the level of accounting earnings. Further, the foundation of a governance committee has no effective influence on audit fees because of the poor composition of the governance committee itself (Abdulmalik and Ahmad, 2015).

In terms of control variables, the findings show that DR and EPS have a significant positive correlation with AGRW. As well, COVID has a significant negative relationship with AGRW. This finding is consistent with earlier investigations, which found that firms were negatively affected during the Covid-19 pandemic (Retanubun et al., 2024; Tahu and Yuesti, 2023). This result confirms the financial losses posed by the COVID-19 pandemic.

Table 4: The relationship between the governance committee characteristics and a company's growth

Variable	(1) AGRW
GCOGD	0.0461 (1.03)
GCOMET	0.00690 (1.23)
GCOSIZ	-0.0152*** (-2.71)
GCOIND	-0.0214 (-1.19)
DR	0.0743*** (2.73)
LIQ	0.000253 (0.54)
FSIZE	0.00461 (1.01)
EPS	0.0618*** (5.02)
MKTBV	-0.000166 (-0.70)
Tobin's Q	0.000134 (0.09)
COVID	-0.0497** (-2.17)
Year fixed effect	Yes
Constant	-0.0524 (-0.64)
Observations	483
R-squared	0.208

Superscript asterisks are as follows: ***Significance at the 0.01 level; **Significance at the 0.05 level; *Significance at the 0.10% level

Table 5 shows how CEO ownership (CEOOWN) affects the link between the governance committee characteristic (as measured by gender diversity, frequency of meetings, size, and the independence of the governance committee) and a company's growth (measured by AGRW). Table 5, show that the interaction variables (GCOSIZ * CEOOW), and (GCOIND *CEOOW) have significant positive correlations with AGRW, indicating that CEO ownership positively moderates the significant negative correlation between GCOSIZ and AGRW. As well, the results indicate that CEO ownership positively moderates the weak (non-significant negative) correlation between GCOIND and AGRW. This suggests that CEOOWN and its interactions with GCOSIZ, and GCOIND increase a company's growth.

In other words, with the presence of CEO ownership, and the size and independence of the governance committee results in positive firm growth. This result is consistent with Jensen and Meckling (1976) who argue that a growth in the ratio of equity held by managers is likely to lead to an improved firm value. It is argued that the CEO is the most powerful person in any company (Li et al., 2018). As the most influential insider, the CEO has a key role in promoting the company's growth by making decisions and choosing appropriate policies in line with the company's objectives.

In a context of high ownership concentration, as in Jordan, the CEO's is loyal to the founding family (Al-Begali and Phua, 2023a), which can positively influence a company's growth. As

mentioned earlier, executive positions in family corporations are almost appointed by founding family members (Rashid, 2015). The family members' reputation is a key element to consider in family corporations. In other words, Alhababsah (2019) report that the company's name in Jordan is almost associated with the founding family's reputation. Furthermore, a CEO in a developing market, such as Jordan, may tend to own more of the company than in other market contexts. In addition, in Jordan, a CEO's performance is only assessed according to accounting profit. Performance bonuses are awarded "based on the extent to which they exceeded the previous year's accounting profit performance target" (Rashid, et al., 2020, p. 1285). Thus, a CEO in Jordan may play a key role in supporting a company's growth.

However, Table 5 shows that the interaction variable (GCOGD * CEOOW) is negatively correlated with AGRW, but only insignificantly, indicating that CEO ownership negatively moderates the weak insignificant positive correlation between GCOGD and AGRW. This finding is in line with Çakalı (2022).

Board gender composition may be influenced by the legal environment, culture, and economic situation (Saeed et al., 2016). Cultural background is a key reason for women's lack of participation on company boards (Iannotta et al., 2016). Jordan appears intensely resistant to gender equality and its social structure differs from most developed countries. In addition, Jordanian families prefer males rather than females in the labour market (Singh 2009). Conceivably, this may happen because women's behaviours are restricted. Furthermore, there is no legal regulation in the Jordanian CG code proscribing the proportion of female members in Jordanian firms' boards or within the governance committee. As a result, a not as much of women are on Jordanian firms' boardrooms, and, being so few, they cannot shape company growth. On the other hand, board diversity necessitates greater costs due to increased initiatives and different employees' needs (Treichler, 1995). Triana et al. (2013) supports the idea that diversity on boards may lead to conflict, which could hinder the firm's ability to change strategically, mostly in periods with low firm performance.

Table 5 documents that the interaction between (GCOMET and CEOOW) has an unimportant positive link with AGRW, indicating that CEO ownership does not moderate the insignificant positive correlation between GCOMET and AGRW. A possible explanation can be that the CG code in Jordan require members of a governance committee to meet as a minimum twice a year, whereas members of an audit committee are required to meet at least four times annually. Further, this code requires members of an audit committee to meet at least once yearly with the company's external auditor without any senior executive being present, while such legal requirements do not exist for members of the governance committee. Importantly Jordan's CG code emphasises regulating the audit committee more than the governance committee, especially in terms of the meeting frequency. This can play a significant influence on the committee members' performance in companies. It is expected that with very few governance committee meetings annually, this is not adequate to make sound decisions in the company's best interest. High meeting frequency increases

Table 5: Interaction effects of CEO ownership on the relationship between the governance committee characteristics and a company's growth

Variable	(1) AGRW	(2) AGRW	(3) AGRW	(4) AGRW
GCOGD	0.0563 (1.17)	0.0464 (1.03)	0.0462 (1.03)	0.0468 (1.04)
GCOMEET	0.00677 (1.21)	0.00672 (1.18)	0.00727 (1.30)	0.00738 (1.30)
GCOSIZ	0.0152*** (-2.69)	-0.0151*** (-2.70)	-0.0158*** (-2.78)	-0.0156*** (-2.73)
GCOIND	-0.0211 (-1.17)	-0.0215 (-1.19)	-0.0233 (-1.29)	-0.0241 (-1.32)
CEOOWN	0.0125 (0.24)	-0.0126 (-0.11)	-0.140 (-1.46)	-0.112 (-1.28)
GCOGD * CEOOW	-0.271 (-0.84)			
GCOMET * CEOOW		0.0104 (0.16)		
GCOSIZ * CEOOW			0.0590* (1.96)	
GCOIND * CEOOW				0.226* (1.75)
DR	0.0737*** (2.70)	0.0750*** (2.68)	0.0782*** (2.84)	0.0772*** (2.82)
LIQ	0.000189 (0.35)	0.000321 (0.38)	0.000726 (1.03)	0.000612 (0.94)
FSIZE	0.00472 (1.01)	0.00458 (0.98)	0.00448 (0.96)	0.00450 (0.97)
EPS	0.0616*** (5.01)	0.0618*** (5.01)	0.0620*** (5.01)	0.0619*** (5.01)
MKTBV	0.000165 (-0.70)	-0.000168 (-0.70)	-0.000181 (-0.77)	-0.000180 (-0.77)
Tobin's Q	0.000160 (0.11)	0.000152 (0.11)	0.000395 (0.29)	0.000342 (0.25)
COVID	0.0497** (-2.16)	-0.0499** (-2.17)	-0.0524** (-2.25)	-0.0517** (-2.24)
Year fixed effect	Yes	Yes	Yes	Yes
Constant	-0.0541 (-0.65)	-0.0520 (-0.62)	-0.0493 (-0.59)	-0.0496 (-0.60)
Observations	483	483	483	483
R-squared	0.208	0.208	0.210	0.209

Superscript asterisks are as follows: ***Significance at the 0.01 level; **Significance at the 0.05 level; *Significance at the 0.10% level

opportunities for financial reporting and reducing internal control problems (Naiker and Sharma, 2009). In the context of Jordan, the institutional settings are relatively unique because of the distinctive cultural structures: family members' firm ownership and personal relationships. Therefore, it is expected that governance committee meeting frequency may not play an essential role in improving a company's growth. Family owners may not perceive frequent governance committee meetings as significant governance mechanisms for the oversight of financial issues, the company's internal control system, and compliance with good CG practices. They may believe that such practices of CG are a burden to their strategies in corporate which are often more designed towards benefitting family members.

7. CONCLUSIONS, IMPLICATIONS, AND LIMITATIONS

This study presented an initial examination of whether the governance committee and various of its characteristics affect

companies' growth in the Jordanian context, and whether CEO ownership moderates these associations. Data from 69 enterprises (483 company-year observations) registered on the ASE from 2017 to 2023, excluding the financial sector, was utilised. The results documented that the size governance committee reduce firm growth. However, CEO ownership separately moderates the link between both the independence and the size of the governance committee, improving firm growth. In contrast, when CEO ownership interacts with gender diversity and the frequency of governance committee meetings, there are no insignificant effects on company growth.

The current research contributes to the literature on CG by offering a fairly complete picture of the effectiveness of the governance committee in a developing country, examining four its governance committee characteristics (gender diversity, frequency of meetings, size, and independence). This is considered a novel and previously unexplored research contribution. Thus, this study's outcomes will assist decision-makers and owners of Jordanian companies, which are characterised by the dominance of founding family members.

These outcomes may aid in enhancing the quality of governance committee in Jordanian enterprises.

The outcomes of this study have valuable implications, both within Jordan and, by extension, for other developing countries. First, we found that CEO ownership has strengthened the effectiveness of the governance committee in enhancing company growth. Therefore, policymakers and regulators (such as the JSC and the ASE) may encourage firms listed on the ASE that support CEO ownership. In addition, they may urge other corporations to support CEO ownership in order to improve company growth. Thus, the research findings may assure shareholders that their financial investments are safe in firms when the CEO ownership is high because this promotes company growth.

Second, this study documented that when CEO ownership is combined with gender diversity in a governance committee, there is an insignificant positive influence on company growth. It is worth noting that the 2017 update of the Jordanian CG code does not require firms to appoint females to governance committees. Only a small proportion of women (2.8%) have positions on a governance committee in non-financial listed firms in Jordan. It may be argued that the increased participation of females on governance committees, would probably have a significant positive influence on company growth. Therefore, policymakers for the Jordanian CG code should consider the need to engage more females in governance committees.

Third, this study provides empirical evidence of CEO ownership improving company growth when it interacts with independent directors on governance committees. Therefore, the current study present advice to investors that they should be cautious when dealing with firms that on one hand, do not have CEO ownership, and, on the other, do not have independent directors on the governance committee.

Finally, the results of the current study can help many stakeholders. They can inform shareholders to make proper investment decisions, particularly as profit is their main goal. They can also benefit regulators, policymakers, and other official bodies encouraging them to reassess the standards regarding the composition of governance committees based on specific features explored here.

The current research has identified some limitations that might permit further examination. First, there is a dearth of studies surrounding the existence of the governance committee and its characteristics in developing countries like Jordan. Therefore, in future, researchers may extend this study's evidence by using different research methods or exploring study contexts in other developing countries. Second, the current study examined four specific characteristics of governance committees. Future researchers could extend this work to involve other characteristics, such as the main role of non-executive managers and governance committee meeting attendance, especially after the 2017 update of Jordanian code of CG. This code requires listed firms on the ASE to have governance committees consisting only of non-executive board members.

Third, the current research excludes the financial sector, because it is run according to different regulations. This reduced the sample size from 167 firms to 69, which has its limitations. Therefore, it would be beneficial for future investigations to include other sectors, such as banking and insurance. Finally, the results in the current study are built on data for a sole country. Prospect studies can investigate the effectiveness of governance committees across different Arab markets, such as the Gulf Cooperation Council country markets which share similar financial infrastructure, cultures, institutional settings, and economies.

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