Cardiff Metropolitan University

Cardiff School of Management – PhD. Programme

THE IMPACT OF CORPORATE CULTURE AND CORPORATE GOVERNANCE ON BANK PERFORMANCE IN EGYPT

Dissertation Submitted in Fulfilment of the Requirements for the Degree of Doctor of Philosophy - 2019

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DEDICATION

To my mum Afaf, my dad Abdallah, my husband Ahmad, my daughters Mariam and Reem, my brother Amr and my sister Aliaa. They have always been there for me and have shared with me my challenging moments, offered all support, love and encouragement throughout my study.

ACKNOWLEDGEMENT

First and Foremost, Thanks and praise is due to ALLAH, The most Gracious and The most Merciful. I am very grateful to ALLAH the ALMIGHTY.

This thesis would not have been possible without the support of several key people. I owe a debt of gratitude to my principal supervisor, Prof. Eleri Jones. Prof. Jones has been consistently enthusiastic and supportive and I could not have even begun or completed this work without her mentoring, enormous wisdom and encouragement. I would also like to thank Prof. Claire Haven for her support and comments which helped improve this thesis.

I would also like to thank Prof. Tarek Abedin, Prof Mohamed Moustafa Soliman and Dr. Khlaed Gad for their support and advice.

The staff in the PhD office, Ms. Louise and Ms. Adriana deserve a special mention and thanks for their wholehearted support.

I would also like to express my gratitude and love to my family members. To my Parents who gave all support and encouragement and whose existence in itself was a great motivation. To my husband for being by my side every step of the way and to my two daughters. To my brother who shared with me his experience and knowledge. To my sister who shared with me my PhD journey with all its challenges and tough times.

Finally, special thanks goes to Professor Omayma Elshaer and Mr. Sameh Mahriq the CEO of National Bank for his continuous support and devoted time. I'd like to thank all respondents who participated in the Delphi Technique as well as all employees who answered the questionnaires. I am also grateful to all candidates who assisted me in the pilot study.

ABSTRACT

Economic changes expose financial institutions to a wide range of risks. The crumbling of business enterprises and corporate scandals lead to loss of credibility. Unlike other non-financial institutions, banks are unique as their management concerns the money of others. With the emergence of numerous cases of corruption of banks in Egypt and the escape of several businessmen especially in the last half of the 1990s, Egypt's banking governance has become more prone to financial corruption. Therefore, there is a necessity for adopting a strong corporate culture to ensure adequate corporate governance practices.

This research investigates the impact of corporate culture and corporate governance on banks' performance in Egypt. Fourteen constructs have been identified from the literature review that might enhance the performance of banks in Egypt. Ten constructs related to corporate culture are communication, leadership and tone at the top, risk, transparency, control, ethics and integrity, coordination and integration, commitment, accountability and adaptation to environment. The remaining four constructs related to corporate governance represented in board characteristics are: board size, frequency of meetings, board independence and CEO duality. The researcher also uses three measures of banks performance: ROA, ROE and NIM.

The study was initiated by a Delphi technique to identify the importance of the corporate culture attributes with respect to corporate governance and bank performance. A questionnaire of corporate culture aspects was administered to 522 employees in banks. Two models were developed and 23 banks in Egypt were involved in this research. The research covers a five-year period (2010–2014). Ridge regression was used to test the ten hypotheses of the first model, and OLS regression was used to test the four hypotheses of the second model.

The results indicate that corporate culture and board characteristics affect banks' performance. The first model shows that there is a positive and significant relationship between transparency, sound risk culture and performance (ROA and ROE).

Furthermore, a positive relationship exists between leadership and tone at the top and NIM. The second model shows a negative and significant relationship between frequency of meetings and ROA, a negative and significant relationship between board size and ROA, a positive and significant relationship between board independence and ROA and a positive and significant relationship between CEO duality and NIM.

This study contributes to literature regarding how corporate culture and corporate governance affect banks' performance in Egypt. The research findings would benefit managers in identifying the most relevant corporate cultural aspects and how they could affect bank performance. It is also beneficial for regulators to recognise the importance of corporate governance and how board characteristics influence performance.

Table of Contents

List of Tables

List of Figures

ABBREVIATIONS

BoD:	Board of Directors
BCBS:	Basel Committee on Banking Supervision
CBE:	Central Bank of Egypt
CEO:	Chief Executive Officer
CMA:	Capital Market Authority
EBS:	Egyptian Banking Sector
EIOD:	The Egyptian Institute of Directors.
FSB:	The Financial Stability Board
IFC:	International Finance Corporation
IIF:	Institute of International Finance
IMF:	International Monetary Fund
MOI:	Ministry of Investment
NIM:	Net Interest Margin
ODNA:	Organizational DNA
OECD:	Organization for Economic Co-operation and Development
ROA:	Return on Assets
ROE:	Return on Equity
ROSC:	Report on the Observance of Standards and Code

Chapter One: Introduction

1.1 Research Background

The global economic crisis not only caused financial damage to the global banking industry but also worsened the image of banking and bankers (Childress, 2011). Childress (2011) explained that there is a desperate need to reshape corporate culture to help build a stronger, more reactive and more responsible banking industry. Corporate governance demands that the process of risk management be monitored in terms of its appropriateness and that this must be embedded throughout an organisation. Such embeddedness requires cultural change (Drennan, 2004).

> Corporate governance can be defined as a control system designed to monitor the operations of the company and potential conflicts of interest between the various stakeholders. The board of directors is generally considered one of the most important mechanisms used to accomplish such a mission (Blanchard and Dionne, 2003, p. 2).

In the late 1990s, weak corporate governance was perceived as a major reason for bank failures in Egypt (Sorour and Howell, 2013). Corporate culture refers to the values and principles that guide the behaviour of employees throughout the firm (Guiso et al., 2013). Corporate culture has several definitions, and according to Cremer (1993), culture signifies the unspoken code of communication between members of an organisation. Moreover, culture is a convention that helps coordination. While managerial literature views corporate culture as a group of norms and values broadly held and jointly shared among the whole organisation (O'Reilly and Chatman, 1996). Corporate culture is often called the "personality of an organisation", or "the way we do things around here" (Childress, 2011, p. 4).

Peters and Waterman (1982) found that the most common features of successful firms is sharing common values, which is necessary for improving performance as it results in less coordination efforts required. Denison (1990) observed that developing shared cooperative values within a corporate could better improve a company's return on investment and overall firm performance. There is an intense public debate among government agencies and business leaders regarding how another financial crisis can be avoided; the global economy seems to be headed for recovery. The combination of excessive risk and lax regulation could lead to another financial meltdown unless a real change is implemented with respect to how banks conduct their business and how they are regulated (Childress, 2011). There is an urge towards reshaping corporate culture integrated with prudent regulatory changes to help build a stronger, more responsive and responsible banking industry (Childress, 2011).

McConvill (2005) considered it inefficient to regulate corporate governance initiatives through external legislation and laws because the same objectives can and were already being achieved within corporations by adopting a successful corporate culture that aligns itself with contemporary corporate governance objectives. There are several similarities between positive corporate governance and virtue ethics. Virtue ethics is principally concerned with an employee's character or traits that allow them to best perform their role. Therefore, there is an emphasis on character and how it can be improved instead of stress on the utility of rules (McConvill, 2005).

Generally, modern commercial banks are run as corporations, and agency problems might arise due to conflicts of interests between management and shareholders (Shleifer and Vishny, 1997). Therefore, several corporate governance mechanisms are intended to avoid these conflicts. Within the banking industry, corporate governance is of higher significance as banks depend on public trust, mobilise public deposits and have more diverse stakeholders. During crises, weak governance has resulted in banks' collapse as well as financial scandals with systematic impacts on the economy (Darmadi, 2011).

1.2 Research Problem

Organisational performance and culture hold a cause-and-effect relationship; that is, organisational performance is the result of organisational culture (Aftab et al., 2012). Researchers have asserted that the culture of any organisation is not innate; rather, it is what individuals gain and learn over the time they spend within the organisation. Corporate culture allows them to solve internal organisational problems (Aftab et al., 2012). Accordingly, the link between organisational culture and positive cultural characteristics helps improve performance through the power of their demonstration (Aftab et al., 2012).

Certain organisations have attribute their success to the unique culture acquired by them (Zakari et al., 2013). One of the primary components recommended to influence firm performance is organisational culture (Cameron and Quinn, 2006; Zheng et al., 2010). Due to the awareness of the importance of corporate culture and its implications for individuals and organisations, significant attention has been devoted to organisational culture and related studies (Oparanma, 2010; Yesil and Kaya, 2013). Empirical studies concerning culture and performance relationship have also been conducted (Duke II and Edet, 2012; Ogbonna and Haris, 2000).

Marcoulides and Heck (1993) found that organisational culture affects organisational performance significantly and positively. Oparanma (2010) found that organisational culture is a key variable to be considered when studying organisational performance. According to Duke II and Edet (2012), there is a positive relationship between organisational culture and performance.

Corporate culture has an important direct influence on a firm's long-term economic performance (Kotter and Heskett, 1992). Denison (1990) provided empirical evidence that cultural and behavioural aspects of organisations are closely related to both short-term and long-term survival.

The bank corporate governance process is a comprehensive framework. This framework involves a bank's board of directors, its managers, other employees and shareholders. Moreover, banks function under a unique system of public oversight as bank supervisors and a comprehensive body of banking laws and regulations. The collaboration between all these elements determined how well the performance of a bank will satisfy the requirements of its stockholders while conforming to public objectives. For both investors and regulators, this corporate governance context is thus critical to a bank's success and its daily operations (Spong and Sullivan, 2007).

Jensen (1993) affirmed that the structure of the board of directors (ownership structure, size, composition) functions as a tool which reflects the effectiveness of the board in activity of control of managers. Although there is an important link between corporate culture and bank performance, very few studies have investigated this relationship in banking (Carretta et al., 2008).

Financial institutions tend to take high risks to maximise the wealth of their shareholders which can lead to the instability of the financial system. However, several drawbacks of the economy could be avoided by relying on the quality of the corporate governance practices of financial institutions (Zagorchev and Gao, 2015). Banking governance is considered mainly to establish an effective banking structure that is fully capable of financing the economy. Therefore, bad banking governance is likely to affect the entire banking system negatively, ultimately causing harmful impact on the economy. Banking governance can either be through an internal mechanism (board of directors) or external mechanism (banking regulation and supervision) (Rachdi and Ameur, 2011). Furthermore, Pathan and Skully (2010) demonstrated that the bank's board of directors is even more critical and important as a governance tool than the same in non-banking firms.

Economic changes expose financial institutions to extensive risks; the governance and its procedures must be applied based on several principles calling for proper and rational management. The crumbling of business enterprises and corporate scandals lead to loss of credibility. Banks are unique compared to other non-financial institutions as banks' managements concern the money of others. With the emergence of numerous cases of corruption of banks in Egypt and the escape of many businessmen especially in the last half of the 1990s, Egypt's banking governance needs to be more efficient to counter financial corruption. Board members are blamed for any disorder as banks affect a broader circle of people, and it can weaken the financial system and harm the entire economy. The board of directors cannot do everything by themselves so some tasks must be delegated. Thus, they must ensure the proper use of power by those who are delegated tasks through adopting a strong culture. Therefore, the impact of corporate culture and corporate governance on financial performance in the Egyptian banking sector needs to be explored.

Based on the above discussion, the following research question prevails: **What is the impact of corporate culture and corporate governance on performance of banks in Egypt?**

This research attempts to answer that research question. Whether or not corporate culture and corporate governance affect performance of banks in Egypt will be discussed through this study.

1.3 Research Aim

To measure the impact of corporate culture and corporate governance on the performance of banks in Egypt.

The primary aim of this research is to make unique theoretical contribution to knowledge by investigating the effect of corporate culture and corporate governance represented in the board of directors' characteristics on the financial performance of banks in Egypt. The study further aims to develop a multiple regression model.

1.4 Research Objectives

Based on the research aim, this study's objectives are as follows:

1. Conduct a literature review of corporate culture, corporate governance and financial performance. Identify corporate culture variables that could lead to effective corporate governance and performance based on literature. Identifying board of directors' characteristics.
2. Explore the importance of the identified corporate culture variables using the Delphi technique.
3. Measure corporate culture among banks in Egypt through questionnaire.
4. Measure corporate governance and performance among banks in Egypt through secondary data collection.
5. Develop a multiple regression model of the relationship between corporate culture and performance as well as a multiple regression model of the relationship between corporate governance and performance.

1.5 Interest and Contribution

The 1980s witnessed the conception of organisational culture from the managerial perspective, and in the 1990s, numerous studies were conducted in the field of organisational culture and its relation with performance, effectiveness and belongingness. Most of these were concentrated in foreign countries, while writings in Arab countries had few attempts. Most management studies in the research of organisations in Egypt were concerned with the problems of employees' efficiency and productivity. Other studies focused on motivation, incentives and rewarding systems or job satisfaction. Finally, the organisational climate has been widely appreciated by researchers because of its impact on performance efficiency, and its ongoing attempts to drive and change employees' behaviour within organisations, to achieve the goal of enhancing performance. However, these studies have dealt with these factors separately without focusing on the actual engine of conduct which is the organisational culture.

There is substantial organisational behaviour writing on corporate culture and less so in economics (Bouwman, 2013). Within economic literature, culture is the instrument that makes a corporation more efficient as it leads to better communication and consequently facilitates decision-making (Stulz, 2014).While the organisational behaviour literature is more centred on distinguishing a company's culture, it encompasses many different typologies of corporate cultures. According to this approach, different organisations have different cultures and an organisation might not essentially have the culture of maximising shareholder wealth or ensuring the organisation's success (Stulz, 2014).

According to Stulz (2014), there is little empirical literature on the relationship between corporate culture and corporate outcomes. Moreover, Tabalujan (2002) stated that corporate governance literature disregards the role played by culture in corporate governance. There has been little effort to understand governance from a cultural perspective (Chaithanakij, 2006). The topic of bank culture has gained importance as a crucial topic of debate since the 2007–2009 financial crisis (Song and Thakor, 2018). Due to limited corporate culture literature in economics, there exists no formal theoretical model of bank culture. While the economic insights from theories of corporate culture that emerged for firms are evidently beneficial when considering bank culture, there are various aspects of banks that demand a specialised model of bank culture (Song and Thakor, 2018). Due to the lack of a formal theory of bank culture, it is difficult to know how these aspects work together to influence this culture and employees' manners and morals of banking (Song and Thakor, 2018).

Numerous quantitative studies on corporate culture have been conducted in developed countries and very little research has been carried out in developing countries (e.g. Egypt), especially in the banking industry (Zakari et al., 2013). Although there are numerous studies on corporate governance, only few (Caprio et al., 2007; Adams and Mehran, 2005; Macey and O'Hara, 2003; Levine, 2004) focus on banks' corporate governance. While this issue is more evident in developing countries, particularly in Egypt, there is limited research addressing banks.

Moreover, the significance of the role that banks play within the economic system and the nature of banking operations makes the problems concerned with corporate governance even more extremely specific as are the existing instruments to deal with such problems. Banks are a major component in the payment system and are crucial in the functioning of economic systems. Due to the money deposited by customers, banks are highly leveraged firms. For all the above reasons, banks face stricter regulations than other firms as in charge of protecting depositors' rights, assuring stability of the payment system and minimising systematic risk (De Andres and Vallelado, 2008). Any failure in the banking sector which causes distress is traceable to the absence of strong culture. Banks can merely grow when there is strong culture to support the pillars of its permanent existence (Chukwu et al., 2017).

This study will lead to a better understanding of the nexus between corporate culture and performance as well as the relationship between corporate governance represented in board characteristics and performance of banks in Egypt. This research will be the first of its kind to identify and explore the importance of corporate culture variables that lead to effective corporate governance and its effect on the performance of banks in Egypt. No previous research has approached this topic. No single published work in Egypt addresses the corporate cultural variables that lead to effective corporate governance. Moreover, there are few published works addressing the relationship between corporate governance and performance in Egypt especially in the banking sector.

Considering the importance of corporate culture, governance and their relevance to banks' financial performance, this research is required to fill the literature gap in corporate culture and governance of banks in Egypt. Therefore, exploring the relationship between corporate culture and financial performance as well as the relationship between corporate governance and performance in the Egyptian banking sector is necessary.

1.6 The Structure of the Study

Chapter One is an introductory chapter; it briefly provides a background about corporate culture, governance and their relevance to banks. It presents the research problem, research question, research aim, objectives of the study as well as interest and contribution. Chapter Two presents a review of the relevant literature and the theoretical background that supports this research. This chapter presents corporate culture and governance, introducing corporate culture definitions, history, importance of culture and corporate culture models. It also discusses governance models and theories, highlighting corporate culture attributes that could lead to effective governance. The relationship between corporate culture and performance and the relationship between governance and performance are also explored.

Chapter Three highlights governance in the Egyptian context and the literature gap in Egypt. Furthermore, it introduces the hypothesis development of this study and the conceptual framework. Chapter Four illustrates the research philosophy and approach, research design overview, definitions and measurements of the different variables used in the study, primary and secondary data collection and sampling, descriptive statistics and hypotheses testing.

Chapter Five presents the Delphi technique results, questionnaire demographics, Cronbach alpha instrument reliability and validity, the correlation analysis, hypotheses tests and results and discussion of each of the two models. Finally, Chapter Six provides the thesis conclusions by summarising the primary findings and contributions that scholars and practitioners could utilise. The chapter also recognises the research limitations while suggesting several recommendations for future research.

Chapter Two: Literature Review and Theoretical background

2.1 Introduction

This chapter presents a literature review of the major aspects in this thesis. This chapter reviews literature related to the research problem and covers the research question. The first section reviews corporate culture definitions with its different perspectives, history, the importance and models. The second section reviews corporate governance definitions, models and theories and issues relating to it. The role of board of directors is reviewed and important findings in these areas are highlighted. Third, the chapter identifies corporate culture values that could lead to effective corporate governance and performance.

2.2 Corporate Culture Definitions and Perspectives

There are various definitions of organisational culture defined in many different ways in the literature (Azadi et al., 2013). "Corporate culture is a set of norms, beliefs and attitudes and patterns of behaviour that characterize an organisation" (Paquet, 2006, p. 1). Furthermore, O'Reilly and Chatman (1996, p. 160) characterize culture as a "frame of shared values that characterize what is critical and norms that characterize suitable conducts and practices for organisational individuals". Denison (1984, p. 5) describes culture as the "set of values, convictions and conduct designs that frame the main character of an organisation".

Culture is the set of shared beliefs and norms that guides individuals on how to act when there are no formal rules and regulations (Stulz, 2014). Howard (2014, p. 12) considers corporate culture as the "pattern of values, norms, beliefs and assumptions which will not have been verbalised but shape the ways in which individuals behave and carry out tasks". On the other hand, Cremer (1993, p. 4) refers to culture as "part of stock of information that is shared by a significant parcel of firm representatives, but not to the common populace from which they are drawn". Schein (2004, p. 17) provides a more point-by-point definition of culture:

> Corporate culture as the design of fundamental presumptions that a given group has invented, found or created in learning to manage with its issues of outside adjustment, adaptation and internal integration, which have worked well enough

> to be considered valid, and, so, to be instructed to potential individuals as the proper way to see, think, and feel in connection to these issues.

The different perceptions of organisational culture can be grouped into three. First, the objective view considers that organisations have culture and that culture can be changed. Second, the subjective view considers that organisations are cultures and that culture is a main metaphor used to comprehend organisations. Third, the integrative view combines the previous two perspectives, considering organisations as cultures and having cultures. Culture exists on both imaginary and tangible levels (Freiling and Fichtner, 2010).

Moreover, corporate culture has been seen through three perspectives: first, culture is regarded as learned material and might be characterised as "things done in particular way" or "the way we think approximately things around here" (Soon and Wee, 2013, p. 7). The focal part of this perspective is that culture is utilised as the appropriate way for individuals to act (Sun, 2008). Accordingly, a culture can sustain organisational and development. Additionally, culture can be seen as a common, shared belief system. For instance, Martin (1992, p.54) defines culture as "the pattern of shared values and common beliefs that provide individuals of an institution meaning and give them a code of conduct within the organisation". Third, culture is perceived as a strategy, according to Bate (2010, p. 19): "culture is a strategic phenomenon: strategy is a culture phenomenon". Strategy is described as the breakfast meal for culture. This implies that no matter how good a company's vision or strategy, it is futile unless the organisational culture is aligned to the corporate strategy (Ilies and Metz, 2017). Essentially, there are dual consequences of such beliefs: first, any strategy formulation is a cultural activity, for instance, the development of strategy is a form of cultural development; moreover, all cultural changes ought to be seen as vital and strategic changes. In fact, any culture programme within an organisation is not isolated as any modifications of cultural programme are continuously taking place within formal and informal strategic planning processes (Alkhoraif and McLaughlin, 2017).

Culture can be conceived as a cohesive system of assumptions and values which differentiate one group from the other in terms of the orientation of its choices. Culture seems to be an irreversible and robust phenomenon, the more deeply the values are rooted and diffused, the more stable a culture will be (Sebastiao et al., 2017). Moreover, corporate culture can be defined as a set of common, taken-for-granted inherent assumptions that a group of individuals adopts and accordingly decides how to perceive, consider and respond to different environments (Ilies and Metz, 2017). This definition describes corporate culture as commonly shared values and beliefs by a group of people. Culture is learned and acquired by potential employees through mentoring and socializing. Culture decides behaviours at workplace and influences outcomes at different organisational levels (Ilies and Metz, 2017).

In fact, organisational culture presents a system of assumptions, values, norms and attitudes demonstrated through symbols that individuals within the organisation adopt through shared experiences and which help them understand the surrounding environment and their behaviour in the same (Gramatnikovski et al., 2015). Corporate culture is the constellation of beliefs, expectations, values and norms shared by most employees in a company (Cerovic et al., 2011). Organisational culture offers clear guidelines as to how things should be done as noticeable through values, norms, beliefs, ethics and morals (Oyafunke et al., 2014). Corporate culture allows for transparency, better information and more general forms of debate. Organisational culture entails unwritten rules, relationship styles within an organisation as well as structures and formal rules (Mohamed, 2013). Moreover, organisational culture is viewed as a set of assumptions that are commonly shared and known by an organisation's members while handling problems of internal integration and external adaptation (Ebeid and Gadelrab, 2009; Hazem and Zehou, 2019). Corporate culture is the sum of opinions, shared mind-sets, values and norms within an organisation that significantly catalyse the capability to transmit high-quality knowledge effectively throughout the organisation (Saint-Onge and Armstrong, 2004). Further, Ting (2011) defined the culture of an organisation as the blend of value, faith and understanding shared by its individuals. The culture of an organisation is a prominent element in evaluating its competitiveness and mirrors its unique traits.

Values refer to the modes of conduct (e. g. fairness, helpfulness) that promote and support desirable goals (e.g. quality). They serve as benchmarks to guide the selection, assessment and evaluation of behaviour, events and policies by social pioneers such as policymakers, organisational leaders and individual persons. Ranking values by importance creates an organised set of values or dimensions called value priorities (Licht et al., 2001).

Cultural values represent abstract ideas about what is good and what is right within a society. These cultural values form the premise for particular norms that inform individuals what is suitable in different settings (Licht et al., 2001). Norms are an essential component of human conduct as they guide behaviour where behavioural rules and standards are provided by corporate culture and are norm-based (McConvill, 2005). If a firm's growth and value creation are essential for the broad organisational features and routines unique to that firm, then corporate culture enables it to fit the environment's changing conditions (Carretta et al., 2006).

This section reviewed different definitions of corporate culture. These diverse definitions of organisational culture enhance the understanding of the purposes of the research. The researcher agrees with the definitions of Paquet (2006), O' Reilly and Chatman (1996), Stulz (2014), Howard (2014) and Denison (1984). According to these scholars, corporate culture is the outline of values and beliefs, which are not necessarily articulated, that guide the behaviour and attitudes of every individual within the organisation in their daily work activities and that creates an atmosphere of cohesion. However, this study will use Bate (2010) and Oyafunke et al. (2014) as they first viewed corporate culture as a strategy that guides the entire entity, a comprehensive programme that guides the organisation's members. Additionally, Oyafunke et al. (2014) consider that corporate culture provides clear guidelines to all members of the organisation through, beliefs, norms, values, ethics and morals. In the context of this study, the researcher presents a simplified definition for organisational culture as a set of principles constituting a set of values that directs bank members and affect their behaviour in facing internal and external challenges for the continuity and stability of banks.

All corporate culture dimensions were obtained from different sources of literature. Many authors have not singled out concrete dimensions (Ginevičius and Vaitkūnaite, 2006). The challenge "to create a rigid set of culture dimensions that can distinguish organisational cultures" remains open as no single tool provides an absolute measurement of a sufficiently wide array of generic cultural dimensions (Delobbe et al., 2002, p. 9). This research’s purpose is to construct a set of corporate culture variables that can be adopted by banks to enhance governance and performance of banks. This could lead to enhanced banks’ reputation and retains investors’ confidence in banks after experiencing agency problems that took place during the financial crisis.

2.3 History of Corporate Culture

Organisational culture does not emerge all of a sudden. It is a complex and long process that needs time to build rigid values for organisations. It also needs to move from one generation to another within the organisation. In order to understand organisational culture, it is necessary to understand the origins of corporate culture, its importance in shaping organisational culture, the components of the organisational culture and the associated models, the definition of organisational culture's dimensions and patterns.

The sphere of organisational behaviour and the associated topics of management science started examining organisational culture in the early 1930s. The final stage of the well-known Hawthorne studies at the Western Electric Company marked the beginning of the primary step to utilise the concept of culture in comprehending the work environment (Tharp, 2009; Belias and Koustelios, 2014). The roots of organisational culture can be traced back to the early human relations perspective of organisations that emerged in the 1940s. Human relations philosophers argued that informal, interpersonal, nonmaterial and moral bases of commitment and collaboration are more vital than formal controlling tools emphasised by rational system theorists Hudrea (2006) and Őnday (2016). During the 1950s and 1960s, organisational sociologists aimed to discover the informal relationships that regulate the organisational life (Ouchi and Wilkins, 1985).

Most middle-century efforts to understand culture were led by researchers immersed in quantitative sociology and psychology. However, scholars had vigorously adopted the theories and methods of anthropology by the 1970s (Lien and Thuan, 2018). The rise of interest in organisational culture was primarily credited to the 1970s economic conditions when the worldwide competition had come to the crest, and more overseas companies were operating factories in the United States (Tharp, 2009; Hudrea, 2006). Indeed, the continued success of the Japanese companies in numerous manufacturing enterprises had flagged an interest in whether the Japanese attitudes, corporate values and practices contributed to their prevalent performance level compared to other countries (Tharp, 2009).

Pettigrew (1979) introduced the concept of organisational culture in his writing 'On Studying Organizational Culture'. Corporate culture acquired significant attention in the late 1980s and early 1990s (Mehra and Goswami, 2017). Ouchi and Wilkins (1985) view organisational culture as a continuation of organisational sociology. Common anthropological studies stepped back after Hofstede's 1980s model of cultural dimensions in which research started to shift towards quantitative measurements of culture (Dauber et al., 2010; Őnday, 2016).

Peters and Waterman (1982) aroused the interest of both public and professionals by recommending that organisations with robust cultures were more successful compared to other firms. Corporate culture was regarded as an asset that could be managed to enhance business performance (Tharp, 2009).

Scholastic investigations in organisational culture expanded steadily during the 1980s and have declined in the past years till now. Which aroused the interest of the researcher to study corporate culture, its importance, models as well as discovering corporate culture components and its impact on company’s performance.

2.4 The Importance of Corporate Culture

The culture of an organisation significantly impacts its decision-making in many different situations and, consequently, its actions shape the interpretative schemes of the majority of its members (Janićijević, 2013). A company's values, ethics, attitudes, ideas and beliefs establishes, shapes and guides the directions in which its employees and workers think, perceive, perform and frequently act unintentionally as it becomes a self-regulating and self-monitoring system (Ibidunni and Agboola,2013). Therefore, understanding culture is vital to the review, analysis and portrayal of an organisation's vision, purpose and what it should be like (Janićijević, 2013). For many, culture is a glue that keeps and maintains an organisation together or a compass that leads an organisation's direction. However, these are two of numerous such metaphors (e.g. magnet, sacred cow, lighthouse) implying that organisational culture is definitely essential but its definition is slippery and disputed (Tharp, 2009). Organisational culture is seen as influencing means of common values, overseeing scattered work units and expanding the workforce. It has been acknowledged for providing a planned outline of shared values which reduces conflicts and misunderstanding to extend the consistency of work force behaviour and beliefs (Tsai, 2011).

Organisation culture reflects norms, ethics, beliefs and focal values of individuals and serves as the primary source of competitive advantage (Hitka et al., 2015). Moreover, it also serves as a means for overseeing vital competencies and attaining the organisation's success (Motilewa et al., 2016). Organizational culture has played remarkable roles in helping firms adapt to internal and external changes, increasing the employees' value through organisational creativity, learning, awareness and knowledge management as well as the readiness to share information and carry out risks (Oyafunke et al., 2014). It has an indirect role in influencing behaviour by utilizing flexible managerial tools, for instance, communication, strategic direction, goals, tasks, technology, decision-making, cooperation and interpersonal relationships (Martins and Terblanche, 2003).

Hofstede et al. (2010) explains that culture influences how individuals think, act and perform tasks so it is vital to comprehend and review the culture within an organisation. Deal and Kennedy (1982) also promoted the idea that organisational development ought to be linked viably to organisational culture to increase the efficiency of the workforce. Oyafunke et al. (2014) discussed six factors for improved understanding of the culture of organisations that incorporates mission (objectives and goals), environment (internally and externally), leadership (control and route), socialisation (learning and interaction), information and strategy (practices, philosophies, plans and programs).

Leaders are required to recognise the notion of culture and its impact on organisational routine and performance and give a genuine importance to the organisational culture within the setting of business and its strategy. Leaders ought to be committed to help their staff understand the need of culture on their daily activities performance and the significance of operating culture in agreement with the business strategy. Leaders should gain the trust and confidence of their employees to communicate transparently on how vital culture is for the survival and continuity of the organisation (Leskaj et al., 2013).

Organizational culture has four main purposes: providing individuals within the organisation a sense of identity, strengthening their commitment, supporting organisational values and acting as a control tool for directing manners and behaviour (Rehman, 2012). Furthermore, organisational culture facilitates problem-solving such that employees feel, acquire and set principles, prospect, norms and behaviour patterns that fulfil a great level of accomplishments.

The impact of organisational culture on members in terms of manners, performance and action can be summarized on the basis of four main notions (Lunenburg, 2011). First, gaining knowledge about the organisation's culture lets employees comprehend both the organisation's history and current strategies and methods of operation. This acquired knowledge inspires direction and provide guidelines about expected future behaviours (Lunenburg, 2011). The leader is the main actor in developing this connection culture (Tran, 2017). Second, the organisational culture can nurture a commitment towards the organisation's values, beliefs and philosophies as organisations can accomplish effectiveness only when individuals share common values. This creates a sense of engagement that lets employees manipulate all possessed skills, abilities, attitudes, knowledge and personality to achieve the organisation's goals (Vance, 2006). Third, corporate culture, through its norms, acts as a control mechanism through which leaders attempt to channel behaviours towards accepted behaviours and desired ends and away from undesired ones (Panda and Gupta, 2001). Furthermore, this can be attained by selecting, recruiting, and retaining members whose values best fit the organisation's organisation (Icheme et al., 2017). Finally, organisational culture might be directly linked to greater productivity and effectiveness (Gochhayat et al., 2017).

Corporate culture can provide a shared system of meanings, which can further shape communication basis and mutual understanding. If corporate culture fails to satisfy these functions, the organisation's efficiency might be considerably reduced (Sun, 2008). Additionally, culture can have an important role in influencing employees' motivation, morals and good will, productivity and efficiency, quality of work, creativity and innovation and employees' attitude within the workplace (Głód and Wronka-Pośpiech, 2015).

Regarding an organisation's development, corporate culture can utilised to assist organisations reach success. Essentially, corporate culture is a powerful tool for enhancing performance of the business; moreover, it can become a competitive edge against other competitors (Edwinah and Mildred, 2013). Therefore, corporate culture can boost or hinder the attainment of a real competitive advantage (Gomez et al., 2009; Pirayeh et al., 2011). Moreover, it can be an instrument of management control. Leaders could use selected symbols, norms, stories and common values to direct and control employees' behaviour. The future viewpoint suggests that this type of control could be inexpensive and could build commitment to the organisation and its goals (Sun, 2008).

Motilewa et al. (2016) added that organisational culture has the potential to improve and boost organisational performance, problem-solving and individual satisfaction as individuals already know what is required and expected of them without much supervision. Some scholars have proposed the idea that organisational culture is somewhat a result of the society factors. For instance, Johnson et al. (2008) have highlighted that significant value of society change is becoming more and more complicated and outdated. Therefore, strategies or right decisions which were successful in the past might no longer be appropriate today. Through the use of moral beliefs and values that are applied in the day-to-day work activities of employees, organisational culture will have a vital role in mirroring their consistent stability and the sense of mission with the aid of individuals' involvement and their adaptation to new environmental conditions (Leskaj et al., 2013).

The literature on corporate culture and performance has found that companies that know how to develop their cultures in an effective manner are most likely to have the opportunity of progressing in productivity and quality of work life among members. Certainly, individuals must apply organisational culture at its maximum strength while senior and top management should provide a precise guideline and direction to inspire and encourage employees to accomplish the company's goals (Rehman, 2012). To become a competent organisation, the significance of culture should not be ignored as culture influences how the organisation operates. Prior to 1986, it was viewed that an organisation is a human nature process, and the focus was on the necessity of building organisations around people rather than techniques (Sun, 2008). Organizational culture is considered one of the most dominant factors defining organisational creativity, innovativeness and performance. This is because culture is shared, it drives individuals' behaviour and thus organisational performance and the ability to respond to the company's environmental challenges. In fact, the practices or behaviour patterns within a given cultural context determine how successful or futile an organisation (Roldan et al., 2009; Pirayeh et al., 2011). Cameron and Quinn (2011) also mentioned that corporate culture can distinguish a successful company from a failing one. Accordingly, organisational culture should not only be perceived as a trivial aspect of an organisation but rather as the power and driving force for accomplishing managerial effectiveness (Oyafunke et al., 2014).

In summary, corporate culture ensure unity in the whole organisation. Corporate culture allows for standardization of common values among employees within the same or different departments of the same institution. This facilitates and coordinates job functions that strengthens cohesion towards shared values and beliefs. Although corporate culture must be robust, still it must adapt to internal and external changes surrounding an institution. When corporate culture succeeds to serve as a common language shared among an organisation's members, productivity and performance could be significantly enhanced.

2.5 Corporate Culture Models

Various organisational culture models can be found among diverse disciplines of research. Commonly, organisation culture approaches can be grouped into two: dimensions approach, which is one of the most prominent, particularly for quantitative research, and interrelated structure approach, which shows associations and links between elements of a model (Dauber et al., 2010).

According to Schein (2004) who viewed and presented culture on three consecutive levels, on the top are artifacts, followed by values and at the centre are basic assumptions. Assumptions show the core beliefs about human nature and reality. Values comprise philosophies, standards, social principles and goals that are considered of intrinsic worth. Artifacts are the visible, audible and tangible results of activity based on assumptions and values. Visible artifacts of the organisation comprise its structure, technology, dress codes, rules of conduct, records, physical layout, rituals and stories (Schein, 2004). Schein (2004) identified assumptions as the essence of culture and argued that humans determine their assumptions from known values.

Hatch (1993) extends Schein's model by adding a fourth component to include symbols. While Schein focuses primarily on organisational culture's domains, Hatch (1993) identifies four practises that connect these components which are manifestation, realization, interpretation and symbolization.

Herman's iceberg in 1970s is another popular model that distinguishes between the visible/formal dimensions of an organisation (systems, structures, policies and technologies), the upper half above the water line, and the invisible/informal dimensions of the organisation (attitudes, beliefs, values and perceptions), the lower half below the water line (Ghinea and Bratianu, 2012).

Hofstede divided culture into four layers: heroes, symbols, values and rituals. There is almost an agreement that culture is composed of multiple layers (Ilies and Metz, 2017). Hofstede et al. (2010) argue that these layers are similar to an onion's successive skins ranging from superficial, shallow symbols to more profound meaningful rituals. Values constitute the core of culture and are its innermost layer. Values are closely associated with ethical codes and morals and decide what people think ought to be done. They can distinguish the likes and dislikes for both employees and employers (Sun, 2008). Furthermore, rituals are joint activities perceived as socially essential and heroes are people, dead or alive, imaginary or real, who show characteristics that are highly appreciated within the culture and thus serve as role models for behaviour (Zakari et al., 2013). Symbols are the most explicit component of culture and refer to words, gestures, objects or acts that imply something different or something that has a meaning for a particular group or an individual (Ritcher, 2016).

Johnson et al. (2008) also introduced a cultural web to let people fully understand an organisation's culture. The cultural web is an ideal means to links an organisation's symbolic, structural and political aspects (Sun, 2008). It includes seven basics that are inter-linked in the cultural web. In the core are paradigms that represent the organisation's purpose, mission and values. They are surrounded by other elements such as rituals, routine, symbols, stories, control systems, organisational and power structures. All these elements could be shaped in different periods of an organisation's development (Cacciattolo, 2014). In fact, leaders of the organisation establish beliefs, assumptions and values that are broad, deep, and steady. They result in behaviours that function as a guideline for employees regarding what is acceptable or unacceptable behaviour within the organisation (Gabriel et al., 2018).

Denison (1990) introduced the interrelations of an organisation's culture, management practices, effectiveness and performance. The model highlights the significance of relating management practices with underlying assumptions and beliefs when studying organisational culture and effectiveness. The organisation's values and beliefs are important for a set of management practices of appropriate manners usually rooted in the organisation's values. These manners originate from and reinforce the dominant beliefs and values of the organisation. The model proposes four key cultural traits: adaptability, involvement, mission and consistency (Zakari et al., 2013).

Fey and Denison (2000) have expanded the four traits of Denison's culture and effectiveness model to include three sub-dimensions for each trait for an aggregate of 12 dimensions. The four main cultural traits with their sub-dimensions are as follows:

- Adaptability: (attributes: organisational learning, customer focus and creating change);
- Involvement: (attributes: empowerment, team orientation and capability development);
- Mission: (attributes: vision, strategic direction and intent, and goals and objectives);
- Consistency: (attributes: agreement, core values and coordination and integration).

Sagiv and Schwartz (2007) stressed the close association and interaction between organisational culture (self-organisation, internal environment, identity and self-reference) and societal institutions and external environment.

Although many models have been presented and discussed. Some models discuss the structure of corporate culture and other models discuss corporate culture attributes. Each model has a different set of corporate culture variables. Which indicates that companies may apply more than one model as no single model includes all corporate culture variables that a business would adopt. Also, none of these studies showed corporate culture variables that promote corporate governance within organizations. Therefore, this study is interested in suggesting corporate culture variables that would lead to effective corporate governance and enhance performance.

2.6 Governance Emergence and Its Importance in the Banking Sector

In the 1980s, the notion of corporate governance gained prominence as this period was marked by stock market crashes in many countries across the globe, which led to the failure of some enterprises due to poor governance policies and practices (Mulili and Wong, 2011). Corporate governance aroused attention due to several corporate scandals. These scandals were partially a result of deficiencies in the practice of corporate governance and the boards' weak performance (Homayoun and Homayoun, 2015). Particularly, amidst numerous scandals, such as WorldCom, Lehman Brothers, Parmalat or Enron, the importance of corporate governance was understood by both developed and developing countries (Loredana et al., 2016). There was a shift in attitude followed by much higher performance expectations from firms' board of directors and management. Moreover, there was increasing awareness that managers are to run businesses whereas boards are to ensure that businesses are running successfully and in the appropriate direction (Mulili and Wong, 2011).

Corporate failure prevention was not the only reason behind adopting corporate governance ideas. Instead, there was growing acknowledgment that enhanced corporate governance was essential for the development and growth of the entire economy (Mulili and Wong, 2011). In 2007, the worldwide economic meltdown caused by the U.S. subprime mortgage crisis and its adverse influence on financial markets and participants in the financial industry globally led to a capital management crisis in most financial institutions, particularly banks (Awojobi and Amel, 2011).

> This economic crisis began as a financial crisis when banks and financial institutions took huge, reckless risks in pursuit of quick profits and massive bonuses. When the dust settled, and this binge of irresponsibility was over, several of the World's oldest and largest financial institutions had collapsed or were on the verge of doing so (President Barack Obama, 2010, online).

Banking supervision cannot perform well if sound corporate governance is not applied. Consequently, banking supervisors must have strong willingness to ensure that there is an effective corporate governance at every banking organisation (Uwuigbe and Fakile, 2012). Corporate governance has greater importance in the banking industry as banks mobilise public savings, have more diverse stakeholders and depend on public trust.

During crises, weak and incompetent bank governance caused banks to collapse as well as owners and management's involvement in financial scandals along with systemic influences on the economy (Darmadi, 2011).

In market-based countries where capital market leads economic activities, banks have suffered a severe shock in their capital and liquidity status due to the sudden decline in the financial market and a credit crisis experience in the financial industry. This has caused several banks to become bankrupt and some even closed down operations (Awojobi and Amel, 2011). The bank goals revolve around three main points: profitability, growth in asset and customer base. Awojobi and Amel (2011) highlighted that the major problem of bank management involves giving priority to short-term goals over long-term objectives.

Banking governance is considered a building block for establishing an effective banking system that can potentially financing the economy (Rachdi and Ameur, 2011). Banks perform governance tasks such as screening and monitoring (Freixas and Rochet, 1997). Ethical and moral problems occur after a bank loan is granted in the presence of information asymmetries between firms and banks as opposed to individual lenders and other specialised agencies including auditors. Banks have relatively competitive advantages in monitoring borrowers due to their low delegation costs, economics of scale, monitoring and ability to access data and information (Ahn and Choi, 2009).

Accordingly, poor banking governance is expected to affect the entire banking system negatively, ultimately harming the economy (Rachdi and Ameur, 2011). Considering the importance and the vital role played by governance in banks and how banks affect the economy, this study focuses on governance in the banking sector.

2.7 Defining Corporate Governance

Zingales (1998) defined corporate governance as a set of tools utilised by stakeholders to ensure that the corporate board manages resources efficiently. The corporate governance unit of IFC describes corporate governance as processes and structures setting directions and control mechanisms for firms. Corporate governance primarily focuses on the different relationships among the board of directors, management, major shareholders, minor shareholders and other stakeholders. Good corporate governance plays an important role in maintaining economic development by increasing companies' access to the outside capital and improving their performance (IFC, 2012, p. 11).

One of the definitions of corporate governance was provided by the Organization for Economic Co-operation and Development, which states that corporate governance is the mechanism through which businesses are controlled and directed (Cadbury, 1992; OECD, 2005, p. 3). The board members of an organisation are primarily responsible for their corporate governance (Cadbury, 1992, p. 14).

A more comprehensive definition was represented by Rezaee (2009) that explained corporate governance as a practise affected by a set of regulations, legal aspects, listing standards, legislative aspects, market mechanisms, best procedures and efforts exerted by all corporate governance members including firm's directors, managers, auditors, financial advisors and legal counsel. This creates a scheme of controls, balance and framework aimed at improving and maintaining shareholders' values as well as securing other stakeholders' interests (Rezaee, 2009). This description adds that corporate governance has two main objectives; the first is to create and maximise shareholders' values and the second is to secure the interests of stakeholders, particularly shareholders as the firm's owners (Ghofar and Islam, 2015).

Bushman and Smith (2003, p. 66) describe corporate transparency as "the availability of reliable materials, relevant and valid information about the financial position, periodic performance, investment opportunities, value, risk and governance of publicly traded companies". Bhat et al. (2006) argued that knowledge and awareness about the governance structure of a company is beneficial in assessing the credibility of financial information, setting expectations accurately and minimising uncertainty related to the company's performance. This determines who handles the firm's governance, how compensations are structured and where and how financial assets are invested (Bushman et al., 2004). Moreover, the disclosure of corporate governance features can improve internal controlling and monitoring, enhance firm performance and generate progress in the internal structure and process (Darmadi, 2011). If these governance mechanisms are not declared, the firm's stakeholders might have no access to such information (Darmadi, 2011).

Corporate governance might be conceptualised as the group of rules, policies and procedures that determine and define the rights and the responsibilities of the primary organisational players to guarantee that the organisation is directed and managed in accordance with embedded rules, core values, and intended objectives (Rebeiz, 2018). Orazalin et al. (2016) claim that good corporate governance practices enhance organisational performance under steady economic situations and provide a shield against the adverse impacts of financial crises and turbulent economic conditions.

Therefore, numerous definitions of corporate governance exist but they differ from one country to another due to cultural differences and legal systems. According to most definitions, corporate governance is the set of rules and regulations that organise the relationship between the board of directors, management and shareholders to avoid conflict of interests.

2.8 Corporate Governance Models

The discussion on corporate governance so far has only focused on shareholder vs. stakeholder perspectives and which models functions the best for a corporation, and thus, the board should follow the same in the management of business affairs (Nwanji and Howell, 2007).

On the one hand is the traditional shareholder approach, which views the corporation as a legal tool for business owners to pursue their own interests of maximising profits. To protect the shareholders' rights, a three-tier hierarchal governance structure is given in company law, namely, the board of directors, executive managers and the shareholder general meeting (Letza et al., 2004).

On the other hand, the stakeholder model posits that in corporate governance, directors and management should pay more attention to all stakeholders instead of contributing all efforts towards only one objective which is the maximisation of shareholders' wealth (Nwanji and Howell, 2007). In contrast to the traditional knowledge, the stakeholder model regards the corporation as an existing place for the interests of broad external stakeholders instead of only shareholders' wealth (Rahim, 2011; Letza et al., 2008; Nwanji and Howell, 2007). The stakeholder model validates that stakeholders' participation in corporate governance is built on the notion that the firm is a strong and sustainable social entity and on other principles such as morals, social fairness, mutual trust and ownership rights (Rahim, 2011). Stakeholders' involvement in corporate decision-making, business ethics, trust relationships and long-term contractual relationships between stakeholders and the firm are the pillars for stockholding management (Rahim, 2011).

Similarly, companies that call for ethical treatment of stakeholders can establish trust relations with employees, customers and suppliers, which encourages mutual beneficial exchanges and profitable investments. In fact, costs of social companionships are reduced by ethical behaviour. Therefore, ethical behaviours have greater potential to bring competitive advantage through internal and external relationships (Leskaj et al., 2013). Fruitful and mutually favourable relationships with these stakeholders allow companies to create wealth, while conflicts limit or even eliminate wealth (Shah and Bhaskar, 2007).

The stakeholder perspective is primarily grounded in the fact that each business has essential stakeholders in different aspects of its strategic, social, industrial and political environment. It has been recognised that management will not always be able to fulfil the interests of all groups at all times, but they are required to at least maintain balance among the interests of the different stakeholder groups (when their interests are really diverse, which may not always be the case as claimed by critics) with the firm's long-term survival being crucial. The primary tenet behind this theory is that focus should be dedicated to the interests and wellbeing of those who can aid or hinder the corporation's objectives (Nwanji and Howell, 2007). This completely contradicts the shareholder theory which urges management to solely consider the shareholders' interests (Shah and Bhaskar, 2007). All the previous justifications implicitly assume that the firm's traditional theory is predetermined. Companies are presented as entities under both the shareholding and stockholding perspectives (Rahim, 2011).

The paradigmatic transition from the shareholder model to the stakeholder model was mainly observable at the end of the twentieth century (Letza et al., 2004 and Rahim, 2011). In the 1930s, the stakeholder model was used in practice when the General Electric Company promoted the interests of stakeholders such as employees, shareholders, customers and the entire society to tolerate the economic crisis (Letza et al., 2004). Through the 1960s to the 1980s, the concept of stakeholder interests became popular among social advocates, environmentalists and consumers. It was also manipulated by business leaders to protect themselves against acquisitions. Nonetheless, in the 1990s, the concept of stakeholding became widespread in the corporate governance argument (Letza et al., 2004).

It can be claimed that the primary drawbacks are not that corporate governance is ineffective as a guiding tool for management in running their businesses. Instead, part of these problems might be associated with scandals such as WorldCom and Enron in the United States. Any reforms in the corporate governance entails reforms in the shareholders theory instead of only having profit maximisation as the main firm's objective; the interests of other stakeholder groups are to be included and considered (Nwanji and Howell, 2007).

While many corporate governance scholars (Nwanji and Howell, 2007; Letza et al., 2008; Rahim, 2011) commonly stress the importance of praising stakeholders' interests in corporate policy-making, comparatively, few include stakeholder representatives on the board. However, it is argued that to effectively address stakeholder responsibilities, they must be directly represented on the board of directors (Dennehy, 2012).

There are some differences among corporate governance structures in the financial markets due to the different social, historical and cultural backgrounds of nations. There are three well-known models of corporate governance systems that take the lead: Anglo-American Model, German Model and Japanese Model (Ungureanu, 2012).

The shareholder perspective of corporate governance is commonly employed in the United Kingdom and the United States. The principle of primacy and shareholders' values is at the core of this model. It proposes that a company must be managed to maximise the shareholders' interests. In an Anglo-American model, ownership is distinct from control. In other words, capital providers (shareholders/owners) in this corporate governance system delegate the daily management (control) of the firm to a group of managers comprising a board of directors and executive management who are not often the owners of the business (Ntim, 2018 and Ponssard et al., 2005). On the other hand, the effectiveness of the stakeholder model is based on the fact that Japan and Germany are successful examples of industrial societies where the participation of stakeholders in the business is extensive. Hence, corporate goals are more broadly defined than shareholders' interests. In both countries, the corporation is represented as a sustainable social enterprise with its own aspirations with proper public interest of a wide array of stakeholder groups and with public responsibilities (Letza et al., 2008).

2.8.1 Anglo-American model

Many countries including USA, China, UK and South Korea favour and apply the Anglo-American model as both USA and UK have strong capital markets (Sonmez and Yildırım, 2015). This model is characterised by the dominance of shareholders. Management is the responsibility of board of directors and shareholders. It ensures the efficient mobilisation of funds (Ungureanu, 2012).

The shareholder theory mentions that the main role of management is to maximise shareholders' wealth as they are the business owners and assume the highest risk (Ahmed and Omar, 2016). Shareholders are regarded as the firm's owners where external agents are delegated to professionally run and operate the business. This model consists of a single board of directors (Sonmez and Yildırım, 2015). Anglo American have adopted a one-tier board in which executive and non-executive directors work together in one organisational level. Some one-tier boards can be dominated by a majority of either executive directors or non-executive directors. Moreover, one-tier board leadership structure can either separate between CEO and chairman positions or can have CEO duality (Maassen, 1999).

Control and ownership are separated in this model as its main aim is maximising the shareholders' value. Consequently, shareholders have very important rights in the company. Shareholders elect their board of directors and the board's main responsibilities are selecting, monitoring and removing external agents, controlling the company's performance, approving the necessary payments and assigning committees such as the audit committee (Sonmez and Yildırım, 2015).

According to the Anglo-American Model, the relationship between external agents and shareholders is recognised as the most critical issue which is known as the agency problem or principal-agent problem (Young et al., 2008). The Anglo-American model has been criticised by stakeholder theorists as it ignores the social, ethical and moral responsibilities of the organisation (Freeman, 1984; Ntim, 2018).

2.8.2 The German model

The German model is based on the stakeholder theory according to which the management's duty is significantly extensive and includes safeguarding the rights of both shareholders and internal and external stakeholders, for instance, employees, suppliers, customers, government, political personnel and the entire society in general (Ahmed and Omar, 2016).

It is implemented by many European states, such as Germany, France and Holland. In contrast to the Anglo-American model, there are two types of board structures in the German model; executive board (management board) and upper board (supervisory board). This model adopts variants of a two-tier board in which another organisational layer has been added to separate the board's executive function from its monitoring function. The upper layer is the supervisory board which is wholly composed of non-executive directors who can be represented by the labour, government (Maassen, 1999; Ungureanu, 2012), shareholders and creditors (Ntim, 2018). The lower layer is the management board which usually comprises executive directors. The significant role played by shareholders and banks in a two-tier board structure with labour involvement in the supervisory board has characterised the German system of corporate governance (Goergen et al., 2008). Generally, in two-tier boards, the combination between CEO and chairman is not acceptable (Maassen, 1999).

Shareholders are the firm owners but they cannot select all the supervisory board members. Shareholders can only elect half the supervisory board members while labour unions elect the other half (Fernando, 2011). Accordingly, stakeholders also play a significant role in this model; hence, managers are not only concerned with the shareholders' interests but also the stakeholders' interests (Sonmez and Yildırım, 2015). The stakeholders includes creditors, company's investors, employees and customers. Essentially, the supervisory board appoints and oversees the management board while the management board directs and manages the firm's daily activities (Fernando, 2011).

2.8.3 The Japanese model

The Japanese model emphasises the firm's long-term interests over the short-term interests of shareholders. In the Japanese model, board members are generally from the majority of shareholders (Sonmez and Yildırım, 2015). However, the main bank also plays a main role in the corporate governance system as an outsider manager of the company (Patrick, 2004). The bank's role not only includes providing loans but also the monitoring and electing a director for the supervisory board (Sakai and Asaoka, 2003; Miah and Mostofa, 2013). On the other hand, the role of the supervisory board is to confirm and approve the president's decisions, and it also meets with investors for open discussions and exchange of ideas. The president is one of the firm's members who consults the management board and appraises the company's activities while the management board directs the company (Sonmez and Yildırım, 2015).

However, no governance model is ideal, thus the application of each model will significantly depend on the culture and legal background, the form of business organisations and control of capital markets (Pillai and Al-Malkawi, 2018).

Despite the multiplicity and different definitions of governance, they all strive to achieve the same goal of protecting the interests of the various parties relevant to the organisation and reducing the cost of agency that organisations may face. Generally, it is not possible to develop specific and overarching principles of corporate governance so that they can be mainstreamed in all countries and in all industries. However, corporate governance is a flexible system that changes and adapts from one country to another according to its prevailing economic and social conditions. The success or failure of the governance system lies in its ability to achieve its objectives and failure to abide by the principles of governance would harm the interests of the different parties involved, eventually leading to organisation's collapse.

2.9 Corporate Governance Theories

The eventual theories in corporate governance were initiated by the agency theory, further extended to include stewardship theory, stakeholder theory and developed to resource dependency theory. Nevertheless, these theories address the cause and consequence of variables, such as the foundation of board structure, audit committee and independent non-executive directors, upper management duties and their organisational and social responsibilities. A blend of these theories is best to describe efficient and effective governance practices and to review corporate governance principles (Abduallah and Valentine, 2009).

The organisational role in good governance has affected various aspects of social contexts and economies. Shareholders are viewed to lose confidence due to prior crisis and consequently, market value has been affected considerably. This urges the need for accountability (Yusoff and Alhaji, 2012).

This section reviews the theoretical perspectives that relate board characteristics to corporate governance. Discussing these theories could provide a better understanding of corporate governance from different viewpoints. It is vital to highlight different corporate governance theories to enhance and obtain a wider view of the board of directors' characteristics and behaviours and to show the different approaches under each theory for an unbiased and objective vision of the different theoretical perspectives.

2.9.1 Agency theory

The concept of agency theory was developed by the well-known economist Adam Smith while discussing that management might not perform and protect investors' money the same as shareholders' would likely do because these are the owners' money not managers in his book, The Wealth of Nations in 1776 (Sobhan, 2014). The focus of corporate governance was on the separation of ownership (Berle and Means, 1932). Jensen and Meckling (1976) pointed out that the agency theory is an explanation of the procedure through which relations between the different parties are better regulated as it is defined as a contract whereby a person or group of persons (the agent) act or perform services as well as take decisions on behalf of a person or group of people (the principal). The agency theory is defined as "the relationship between the prinicipals, i.e. shareholders and agents (i.e. the company's managers and executives)" (Abduallah and Valentine, 2009, p. 89). In this framework, principals are the owners, agents are the managers, and the monitoring mechanism is mainly the role of board of directors (Squires and Elnahla, 2020).

Managerial ownership means that board members and management must have a share of the company. Jensen and Meckling (1976) argued that this corporate governance mechanism has a significant impact on reducing the agency problem resulting from ownership separation from management. The fact that managers own part of the company's shares reduces the gap created by the conflict of interests between management and shareholders as well as aligns the interests of both parties. This is because lower share of management increase their tendency towards increasing their own benefits at the expense of shareholders' interests through exploiting incentives and rewarding systems (Jensen and Meckling, 1976).

Perrow (1986) and Hirsch and Friedman (1986) criticised the agency theory for focusing on a narrow scope which is the stock price as well as being unclear regarding the problems the theory addresses. They also accused the agency theory of having an unapparent value. The agency theory has also been criticised for being one-sided as it ignores the potential manipulation of employees (Perrow, 1986). Although the logic behind improving a company's performance relying on the alignment of goals between the agent and the owner seems unquestionable, a partial financial ownership in the company does not necessarily guarantee that an agent would act in the same manner that a principal would (Arthurs and Busenitz, 2003). Aguilera et al. (2008) described the agency theory and viewed it as a closed system. A broader definition of effectiveness in contrast to the agency perspective has been adopted and their suggested framework is comprehensive for evaluating how institutional setting affects the adequacy of alternative governance processes (Aguilera et al., 2008).

On the other hand, Eisenhardt (1989) views the agency theory as a value added to organisational theory. Agency theory is concerned with resolving two problems that can occur in agency relationships. The first is the agency problem that arises when (a) there is a conflict of interest or desires between the principal and the agent and (b) it is challenging or costly for the principal to verify whether the agent has acted appropriately or not. The second problem is risk sharing that appears when the agent and principal have different attitudes towards risk due to different risk preferences (Eisenhardt, 1989). Jensen and Meckling (1976) showed that as managerial ownership in the firm increases, it decreases the potential for managerial opportunism. Moreover, information systems reduce managerial opportunism. The debate here is that through information systems, the principal can be informed with what management is actually doing; this is likely to control agent opportunism as this will reduce agents' ability to deceive the principal (Eisenhardt, 1989).

Many academic studies in corporate governance were derived primarily from the agency theory (De Villiers and Dimes, 2020). The core of the agency problem is the isolation of finance and management or, as known by a more standardised term, as the isolation of control and ownership (Berle and Means, 1932). In any business organisation, entrepreneurs or managers raise capital from investors as they have no sufficient funds of their own. Meanwhile, investors need qualified and experienced managers to make returns on their funds (Maher and Andersson, 2000). The primary concern of investors is how to guarantee that they would not be left holding a valueless piece of paper released by the manager once they have put their funds in a business. The agency problem points to the difficulties and worries that investors encounter in ensuring that their funds under the management's disposition are not wasted or expropriated on unprofitable projects (Pande and Ansari, 2014).

The agency theory assumes that managers of a firm (i.e., the agents) might not always perform in the best interest of the firm's owners (De Haan and Vlahu, 2016). The fundamental premise of agency theory is that managers are self-centred and act out of self-interest, thereby paying less attention to the interests of shareholders. For instance, managers might be acquiring luxurious cars, offices and other benefits at the expense of the owners (Bathula, 2008). The theme behind the agency theory is to align the interests of management and owners (Abid et al., 2014).

The goal of corporate governance in protecting shareholders' interests is built on the agency theory (Maher and Andersson, 2000). The agency theory debates that the separation of managers (agents) and owners increases agency problems since each party will attempt to maximise its own interests (Eisenhardt, 1989). The term agency costs is used to describe the reduction in a firm's value that arises when hired managers fail to serve stockholder interests (Jensen and Meckling, 1976). In banking and other businesses, these agency costs might manifest themselves in several ways. Since hired managers will not receive the same equity returns that owner managers would, a hired manager might not be encouraged to put as much effort as an owner manager (Spong and Sullivan, 2007). Jensen and Meckling (1976) suggested that firms with a high leverage have high control costs, leading the company to bear high costs to reduce conflict of interest between managers and creditors.

A hired manager might also attempt to maximise their benefits by seeking to expand the firm beyond a profitable level, playing it safe and skipping projects that stockholders and owner managers would be willing to proceed with, thereby taking advantage of their position by consuming excessive privileges. All these behaviours would benefit the hired manager at the expense of stockholders, and this inherent divergence in interests is the source of principal–agent problems (Spong and Sullivan, 2007).

Moreover, Pande and Ansari (2014) consider organisations as living organisms whose main purpose is to live and persist. The main concept, based on the agency theory, most commonly holds that firms are economic entities whose major drive is to reward their shareholders (owners). Under the context of the agency theory, the CEO (as a board member) can be anticipated to vote for or against mergers primarily based on the role, power and position they will occupy in the new merged entity versus the probability of their severance, compensation and future position outside the company. When the position of the Chairman is occupied by someone other than the CEO, that person might likely act in favour of their personal interests or in favour of their close friendship interests in the senior management. Other directors who represent different groups of stakeholders would be biased to vote for the interests of the several groups that they represent individually. Moreover, stakeholder opportunism, corruption, private benefits, conflicts of interest or pressure from special interest groups are some examples of the potential drivers of stakeholders' opportunistic behaviour (Ormazabal, 2018). Furthermore, agency costs also occur where there is an information asymmetry between management and shareholders and when the board of directors does not succeed to meet its fiduciary duties of effectively carrying out the assigned oversight role (Rezaee, 2009).

Corporate governance is a mechanism to protect shareholders' wealth against management abuse (Ghofar and Islam, 2015). Investors (the outsiders) cannot competently monitor managers acting on their behalf because managers (the insiders) have greater knowledge and information about the achievements of the company. Therefore, there is a necessity for specific mechanisms to prevent managers from using the firm's profits for their own benefits (De Haan and Vlahu, 2016).

Agency costs can be reduced through several market and governance mechanisms. Shareholders can have a tool to dominate managers and guarantee that the firm is managed in their interest by appointing a board of directors. The two most significant roles of a board of directors are monitoring and advising. In the monitoring function, the board monitors and directs managers guarantee that their manners and behaviours are well aligned with the shareholders' interests. In the advising function, the board gives opinions and directions to managers for key business strategies (De Haan and Vlahu, 2016).

Since Adam Smith, corporate governance economists and specialists have believed that the interests of management and shareholders are very well aligned when the directors' reward increases with the increase in shareholders' value and decreases with the shareholders' loss (Fahlenbrach and Stulz, 2011). Murphy (1998, p. 36) highlighted this alignment of interests in a widely cited review of the academic literature on managerial compensation: "Stock ownership provides the most direct link between shareholder and CEO wealth."

Much of the economics and finance literature points out that the monitoring role boards play is a costly activity in terms of time and effort. Consequently, directors with significant stock holdings or other ties to their bank might be expected to have greater financial incentive to put in the time and perform their role well compared to independent directors (Spong and Sullivan, 2007). A significant finding is that an ownership stake for appointed directors can help improve and boost bank performance and more closely align directors' interests with stockholders' interests, thereby minimising the principal–agent problems posed by the financial theory (Spong and Sullivan, 2007). Managerial ownership is a tool that is likely to align the interests of management and owners. It can also minimise moral and ethical hazards of management that might take the form of incentives to consume perquisites unduly, unwillingness to exert enough efforts and even embezzlement or frauds (Florackis et al., 2009). When holding ownership, directors are well motivated to exert sufficient efforts to improve and increase the company's performance and value, reduce their bonus incentives and avoid getting involved in non-profitable projects that could result in poor financial performance (Florackis et al., 2009).

Moreover, labour markets, for example, offer bonuses and rewards for hired managers to act in favour of stockholder interests as better performing managers will be appreciated, more highly compensated and become more demanded within the job market (Kim et al., 2012). Moreover, capital markets can generate a superior performance from hired directors as any performance concerns might as well put pressure on stock prices and increase the threat of acquisition and new management (Kim et al., 2012).

Management's agency role refers to the governance function played by the board of directors to serve shareholders by ratifying managers' decisions and monitoring their effective implementation (Nicholson and Newton, 2010). Due to the significance of the board's monitoring and governance function, much of this research has reviewed board composition (Bhagat and Black, 2001; Pearce and Zahra, 1992; Kiel and Nicholson, 2003). Based on the agency theory perspective, the main role and duty of the board of directors towards its shareholders is to guarantee the maximisation of shareholders' wealth as they are primarily responsible to act in the best interest of principals (Ambrosini et al., 2015). In the agency theory, there is significant preference towards an outsider-dominated board. This suggests that effective boards are made up of external directors (Dalton et al., 1998).

To summarise, the agency theory is built on the premise that there is a conflict of interest between shareholders and management and this can affect shareholders' interests negatively since each party has a different goal. So, this study focuses on the agency theory, as the financial crisis was a result of management's misconduct due to the different preferences between principals and agents that harmed the economy as well as investors' interests. This emphasizes the necessity to manipulate corporate culture along with board of directors' characteristics to compromise and align the diverse interests between board of directors, management and shareholders.

2.9.2 Stewardship theory

Unlike the agency, the stewardship theory displays a different management model in which directors are perceived as good and worthy stewards who will perform in the best interest of shareholders (Donaldson and Davis, 1991). The stewardship theory advocates that directors (agents) are basically reliable and accountable stewards for the resources under them which makes monitoring obsolete (Bathula, 2008). The essentials of stewardship theory are primarily grounded on social psychology that emphasises executives' behaviour (Yusoff and Alhaji, 2012).

The stewardship viewpoint regards managers and directors as a company's stewards who are willing to maximise and increase the wealth of shareholders (Bathula, 2008). The stewardship theory distinguishes various non-financial incentives for managerial behaviour, arguing that the attainment of organisational success satisfies their personal needs for self-actualization, need for achievement and recognition (Muth and Donaldson, 1998). Essentially, directors are regarded as good stewards of corporate assets and loyal to the company. The stewardship theory holds that a director can work with a sense of responsibility and identification with the establishment when confronted with a course of action seen as personally unrewarding (Muth and Donaldson, 1998). Therefore, this would minimise the cost of monitoring and controlling behaviour of directors and managers (Bathula, 2008).

The stewardship theory proposes a strong link between managers and the firm's success. Therefore, through the company's performance, stewards can protect and maximise the shareholders' value. A steward who develops and enhances a firm's performance significantly satisfies the majority of stakeholder groups within an organisation when these parties have interests that are met through maximising the organisational value (Davis et al., 1997). If the Chairman and CEO's position is held by the same person, then a single person has the authority to set strategies and becomes solely responsible for the organisation's destiny. CEO duality is viewed favourably as a clear and unified leadership that can lead to better performance (Bathula, 2008). Therefore, the stewardship theory advocates the appointment of a single person to be the CEO and the Chairman and favours a majority of professional executive managers over non-executive managers (Van Ness et al., 2009).

Moreover, the stewardship theory claims having a majority of insiders (executive) directors on the board rather than outsiders (non- executives) contributes to a firm's superior performance since executives can better understand the business and have greater knowledge, thereby making superior decisions (Bathula,2008; Muth and Donaldson, 1998). Consequently, the stewardship theory emphasises on structures that facilitate and empower than those that monitor and control (Davis et al., 1997).

In contrast to the agency theory, the stewardship theory assumes that the relationship between the board and shareholders is perfectly aligned where each party's interest is met. The board finds their success and achievement in satisfying shareholders' interests and self-esteem in making their businesses more successful. From the researcher’s point of view, if this was true that the relationship between management and shareholders are normally aligned as management finds its own wellness in achieving shareholders’ interest. Then, then the financial crisis wouldn't have existed. But it happened due to existence of different interests between management and shareholders.

2.9.3 Resource Dependency Theory

Corporate governance research has reached a more general trend in strategic management that investigates the company's black box and views the company as a bundle of unique resources that can offer a competitive edge and advantage to it when used effectively (Gomez and Russell, 2005). Resource dependency theory regards the organisation as an alliance of resources with the primary concern of surviving in a competitive environment. Control over resources comes from ownership and access to or determining the usage of such resources which provide means of influence and power (Pfeffer and Salancik, 1978).

Pfeffer and Salancik (1978) argued that variation in the organisation's performance might probably accrue to the actions of the organisation's leaders. Few corporate governance researchers have taken a stand to declare that it is misleading to overstress the monitoring role of boards, and that greater attention should be placed on the skills and other knowledge resources that managers, especially non-executive managers, can bring to the company (Gomez and Russell, 2005). Organizations should devote more resources to scan the environment and must have operating employees who make decisions based on appropriate understanding about environmental needs (Pfeffer and Salancik, 1978).

The resource dependence proposal hypothesis is based on the necessity for environmental links between the company and external resources (Yusoff and Alhaji, 2012). In many respects, managers can serve to connect outside resources with the company to overcome uncertainty as effective management of uncertainty and risk is crucial for the company's survival (Hillman et al., 2000). Managers therefore obtain resources such as skills, knowledge, information, key elements (buyers, suppliers, public policy decision makers, social groups) and legitimacy that can minimise uncertainty (Hillman and Dalziel, 2003). The organisation's problems are not solved eventually, thus they must be continuously managed after examining conditions that determine the organisation's vulnerability and the aspects which influence its perceptions and behaviours towards these conditions. To meet the business requirement of resources, organisations can alter this pattern of dependencies by creating alternative alliances such as joint ventures, mergers or trade associations (Pfeffer and Salancik, 1978). Accordingly, Hillman et al. (2000) assume the potential outcomes of linking the company with outside environmental factors and decreasing uncertainty by reducing the transaction costs.

While agency theory reviews the role of independent directors primarily in terms of monitoring, the resource dependency theory suggests that independent directors can bring to the firm a wide range of skills and competencies that can add to the firm's performance: marketing and financial skills, links to financial resources, business industry knowledge, experiences leading to growth, as well as mentoring skills (Gomez and Russell, 2005). While appointment of directors on the board, organizations consider environmental contingencies (Sobhan, 2014). In this case, the board plays a very important role for the organisation and its success; it is considered the main gate for all resources the firm needs to reach its goals. Still, acting for the best interests of shareholders must be ensured rather than acting for management's well-being.

2.9.4 Stakeholder theory

Stakeholders theory is a broad concept of shareholders' theory that includes all people who have rights within the company apart from the business owners (Freeman, 1984). The stakeholder theory is an extension of the agency theory which urges the board of directors to look after the interests of shareholders (Bathula, 2008). Previously, stakeholders were narrowly defined as groups that are essential for business success (Freeman, 1984). However, this narrow focus on shareholders has been extended to include all individuals or parties who have legitimate rights in a firm, defined as stakeholders (Sobhan, 2014). Stakeholders have been widely defined to include all individuals and groups such as shareholders, employees, customers, suppliers, governments, political groups or communities who influence and are affected by the business actions (Freeman, 1984). Essentially, the stakeholder theory assumes that a company has different stakeholders and that the company has direct and indirect social, legal and moral commitment towards stakeholders and their interests (Freeman, 1984). The stakeholders theory posits that the different parties involved shall consist of political groups, government bodies, trade associations, trade unions, prospective staff, the general public and communities. Competitors and potential clients can be regarded as stakeholders to enhance business efficiency in the marketplace (Yusoff and Alhaji, 2012).

This theory focuses on matters concerning stakeholders within an organisation. It specifies that a corporate entity shall always seek to provide balance between the interests of its various stakeholders to guarantee that each group receives some degree of gratification (Otieno et al., 2015).

The stakeholder approach has the following implications on financial economics. Initially, the fluctuation of share prices in response to declarations relies on the extent to which the declaration is informative to non-investor stakeholders as well as investors. Moreover, the management might prefer financial policies to signal their intentions towards making promised bond payments or payments on implicit claims. Finally, the stakeholder perspective suggests that the financial problems' costs are greater than direct cash disposal shows (Cornell and Shapiro, 1987). Management and non-investor stakeholders plays a vital role in financial policy and form an important link between corporate finance and corporate strategy (Cornell and Shapiro, 1987).

The stakeholders theory has attracted a lot of attention as numerous researchers have recognised that a corporation's activities influence the outside environment demanding the organisation to be accountable to a wider audience rather than only its shareholders (Yusoff and Alhaji, 2012).

Although there are several theories, the agency theory was the most prominent and was well received by scholars and practitioners (Fama and Jensen, 1983; Jensen and Meckling, 1976). The agency theory established the basis for governance codes, standards and principles developed by many institutions (OECD, 1999; 2004; ICGN, 1999). Shareholders appoint boards to monitor and control the management's decision-making process to protect their own interests. Particularly, this monitoring role was anticipated to be more effective through independent non-executive managers such that the positions of CEO and Chairman were not to be held by the same person (Cadbury, 1992; OECD, 1999; ICGN, 1999).

In order to obtain a better understanding of the board dynamics and procedure, different theories ought to be reviewed. The result of a well-practiced corporate governance is an accountable board of directors that guarantees the shareholders' interests are met and not endangered (Yussof and Alhaji, 2012). The transparency and accountability aspects of corporate governance enables firms to gain shareholders' trust. Homogeneity in beliefs and values makes communication, coordination and delegation significantly easier (Den Steen, 2003). Stakeholders seek assurance that the firm will operate both honestly and professionally for which corporate governance is critical (Morck and Steier, 2005). Corporate governance increases the trust and confidence of stakeholders which supports the sustainability of the businesses in the long run. Due to the various ethical, cultural values, historical differences and political conditions, the governance might vary from one country to another. Therefore, the governance in developed countries will be different from developing countries due to the cultural and economic contexts of individual countries (Yussof and Alhaji, 2012).

From a governance perspective, the interests of hired managers and shareholders could be more closely aligned through two other mechanisms: board's effective monitoring of management and an ownership stake in the bank for hired managers. For instance, the board of directors in their oversight function would be responsible for monitoring hired managers and encourage them to run their banks in a manner compatible with stockholders' convenience (Spong and Sullivan, 2007). Since there is no single unified definition of corporate governance, its structure differs based on several influencing elements, for instance, social and cultural attributes and the economic and legal systems in which it is applied and executed (Ghofar and Islam, 2015).

In the UK, several reports have been issued that have contributed significantly to the formulation of governance principles and mechanisms (Nwanji and Howell, 2007). The Greenbury Report was released in 1995, addressing the level of executive pay and directors' compensation. The responsibility of the remuneration committee was to issue a statement of compliance or non-compliance in the annual report (Greenbury, 1995). Later in 1998, the Hampel report was the first to mention interested parties other than shareholders; the primary suggestion was that companies must include a narrative statement in their annual reports to show how they comply with the principles of corporate governance (Hegazy and Hegazy, 2010). On the other hand, the Turnbull report emphasised how to execute a best practice system of internal control, the necessity for a board statement on internal control and the adequacy of having an internal audit function (Turnbull, 1999). The Higgs report designed best practices for board structure and recommended behaviours and means of hiring the right people to fill non-executive positions. Generally, Higgs seems to assert that non-executive directors should be more effectively involved in corporate monitoring (Higgs, 2003). The Smith report suggests that audit committees should comprised of independent members and the company's chairman should not be involved in the audit committee (Smith, 2003). However, the OECD has set guidelines for good corporate governance principles commonly used as benchmarks (OECD, 2004). OECD principles are to ensure an effective common governance framework for protecting shareholders' rights as well as facilitating the exercise of shareholders' rights and ensuring equitable treatment of all shareholders including minority and foreign shareholders (OECD, 2015). Moreover, there must be several procedures to deal with any evolving issues and transactions involving different parties such as mandatory disclosure, board approval and in some cases, the shareholders' approval (OECD, 2015). Generally, these principles are provided to guarantee the market's integrity and efficiency in prompting transparency and protecting the entire economy (OECD, 2004).

In the corporate governance context, the board of directors in banks have several crucial duties which include appointing and supervising the management team, setting radical policies and goals, monitoring compliance with corporate governance policies and contributing to the decision-making process within the bank. Therefore, the board of directors are vital in determining the parameters that the management needs to assume and run as board decisions have significant influence on banks' performance (Spong and Sullivan, 2007). As the board of directors plays a crucial role in solving and reducing conflicts between managers and shareholders, it is regarded as one of the most important determinants of successful corporate governance (Klein, 1998). The characteristics of a bank board are a major determinant of high-quality bank governance (Rachdi and Ameur, 2011). The way to the global financial crisis was paved by excessive risk-taking within the financial industry, and as the crisis occurred, the accumulated risks caused systemic problems that led to the failure of many financial institutions (IMF, 2014).

Consequently, due to the critical role played by board of directors to attain an effective corporate governance, this study is concerned particularly with board characteristics and how they affect the banks' performance as it is one of the most highly debated topics. This study follows the agency theory which calls for aligning the interests of both management and shareholders so as to avoid another financial crisis.

2.10 Corporate Culture and Corporate Governance

Buffet (2010, p. 105) stated the following in an annual letter to the Berkshire Hathaway shareholders: "Culture, more than rule books, determines how an organisation behaves. Furthermore, Moore (2009, online) former head of risk for HBOS, stated, "there is no doubt that you can have the best governance process in the world, but if they are carried out in condition of greed, unethical behaviour and an indisposition to challenge they will fail".

The primary goal of a well-performing corporate governance program is to help govern authorities, agents, managers and employees to work and cooperate together to pursue the organisation's purpose in achieving its objectives and goals in a reliable and consistent manner with its norms for ethical business conduct (Arjoon, 2006). The financial legislation encompasses areas such as corporate governance, prevention of any conflict of interests between accounting and consulting, new accounting and auditing standards as well as changes within the company itself. These changes might reflect the beginning of an understanding of other stakeholders' interests in an organisation apart from shareholders. The performance of individuals has to be considered in the context of accountability and compliance than merely regarding the business as a deal (Kinsella and Mc Nerney, 2005).

An Organizational DNA (ODNA) could be considered a symbol to describe the essential elements that determine the culture of an organisation and help explain its performance. Historically, an ODNA involves weaving decision-making competencies and intelligence with a significant emphasis on common goals that are broadly and profoundly built into the institution's fabric so that each department and individual works jointly and smartly (Aguirre et al., 2005). Corporate culture is similar to a firm's DNA that is embedded in the identity of the firm's employees, particularly its leaders. It is likely to alter corporate culture gradually overtime through changes in leadership (Liu, 2016). The metaphor of ODNA aims to include all the biological characteristics of the culture of organisations known as DNA (Verschoor, 2004).

The global crisis of corporate scandals and abuses echoes a culture organisational DNA crisis; a governance culture is required to inspire and motivate ethical and moral behaviour, align individual and corporate values and adhere to legal requirements to extend the firm's interest and to improve its performance (Grant and McGhee, 2014). The scandals occurring in prominent corporations have prompted reforms that have confirmed the significance and necessity for a renewed emphasis on an effective corporate governance strategy. These scandals have exposed the corruption and dishonesty in corporate culture that have weakened public trust and confidence in corporations and financial markets. Particularly, legislative and regulatory reforms were implemented as a consequence of these failures, stressing the need to focus on the moral and ethical DNA of an organisation (Arjoon, 2006).

Since the 1980s, the issue of corporate culture approach to management has been popular among management theorists. Corporate culture is described as a system of informal rules that direct an organisation's conduct. The culture is perceived as effective when values are evidently visible and stressed to provide meaning and purpose to the corporate activity (Deal and Kennedy, 1982). Corporate ethical culture is defined as a subset of corporate culture which encourages ethical conduct and behaviour (Chadegani and Jari, 2016).

Ethical tone at the top is a management practice that initiates corporate ethical culture. Moreover, Trevin˜o and Nelson (2011) proposed that an ethical corporate culture is a portion or part of a corporation's wider culture and is sustained via a sophisticated interaction and formal alignment (i.e. strategies, leadership, structured authority, incentive plans, training programs and so on) and informal organisational systems (ethical norms and peer conduct). Therefore, the organisation's aim is for companies to guarantee that through their wider corporate culture of common beliefs and values, a powerful ethical corporate culture further continues to flourish instead of a weak culture. When this is achieved, employees are more likely to adapt to the ethical norms required (Schwartz, 2013).

An analysis of the linkages between corporate culture and ethics can take two paths. First, corporate culture can be considered a basic component in cultivating ethics in organisations. Second, it can be considered a building block of corporate ethics to an extent that sometimes the terms ethics and culture are confused (Wawo et al., 2015). Studies on organisational culture were quick to support the idea that organisational culture had considerable potential of enhancing the ethics in an organisation. Actually, ethics and culture started being confused from the moment both were considered to refer to certain common values in an organisation, values which possibly embody fundamental common beliefs about work, the entity itself and everyone involved with that entity (Wawo et al., 2015). In fact, the solution to a problem in business ethics is required in corporate culture: improving corporate culture would help resolve the contradiction between individual and corporative values (Lozano, 1998). Lozano (1998) proposed that commitment to specific common values becomes part of merging the essence of life and the essence of work through a business project, reconciling personal interests and aims with their corporate parallels. Values merely turn out to be meaningful and result in a more ethical corporate culture when these are declared and noticed within the company's processes, for instance, hiring the suitable people. There are several ways to incorporate ethical values such as integrity into the hiring process through interviews and tests (Schwatz, 2013).

In fact, the main focus of corporate ethical culture is on leadership and management's role and their ability to establish an ethical culture within an institution. Scholars who use the notion of corporate ethical culture strongly believe that institutional success will improve once ethical norms are recognised and acknowledged by top management and extensively shared among the organisation's members (Chadegani and Jari, 2016). Furthermore, lack of sufficient attention to ethics and morals in corporate culture might lead to a firm's corruption and failure. By studying the importance of corporate ethical culture, institutions can create a stronger adaptive culture that could help improve their efficiency and enhance performance (Chadegani and Jari, 2016).

Corporate culture is considered strong when the guiding values mirror the top management's basic beliefs and identify accepted values throughout the company. Strong corporate cultures are regarded as "innovation and flexibility" (Lorsch, 1986, p. 104) and their personnel are trained to "creative conflict or productive confrontation" to handle conflicts constructively instead of in a destructive manner (O'Reilly, 1989, p. 14).

Strong culture refers to the extent to which values are embedded throughout the organisation and implemented by all members in their daily work. Culture is one of the prime determinants of how employees behave. Strong cultures have two common components: a high level of agreement about what is valued, and a high level of commitment to these values (Deloitte, 2015). Robust ethical ODNA can prevent crises and increase the company's profitability. This implies that moral and ethical behaviour does not occur in vacuum but is a fragment of a wider corporate culture that evolves over time. Corporate scandals do not simply show unethical conducts but also breached corporate cultures that permit such misconduct to occur (Arjoon, 2006). This is irrespective of corporate performance is a result of the firm's ethical status and the common trust between management and employees, or whether having a well-articulated ethical code supported by the appropriate actions is merely a parcel of being a high-performance business. Therefore, in case of the first assumption, it is for the best interest of all firms to have ethics involved as their bottom line. If considering the second assumption, then it is optimal to build the right corporate culture (Arjoon, 2006).

According to Florea et al. (2013), the struggle is regarding sustaining an influential ODNA that boosts a corporate governance culture of intellectual integrity, honesty and trust, diligence, skills and good faith. Trevino and Brown (2004) observe that legal and ethical compliance programmes can affect firms' performance positively yet this does not ensure a successful programme of corporate governance. Moreover, for a formal system to influence behaviour, it must be a subset of a higher coordinated cultural framework that encourages ethical and moral behaviour.

Schwartz (2013) suggests that of all issues that confront managers, executives and board of directors, one might debate that unethical corporate conduct and practices is one of the vital topics in terms of its potential negative effects and being one of the hardest to address properly. Schwartz (2013) and Suh et al. (2018) urge the necessity of three key factors that must be available to reduce any unethical or illegitimate activity conducted within an organisation by emerging and maintaining an ethical corporate culture. The three factors entail (1) setting a group of basic ethical values to be infused within the organisation's practices, processes and policies; (2) setting an official ethics programme, containing an ethics code, an ethics officer, ethics training and an ethics hotline (3) ensuring a constant existence of an ethical leadership with a proper tone at the top, that is represented by manager, senior executives and board of directors. Although each of these three elements is distinctive, they correspondingly relate to, overlap and complement each other.

Risk management is certainly a part of every individual's job function within an organisation; this aspect must be communicated and acknowledged by employees (Drennan, 2004). If the risk management process turns out to be a box-ticking exercise then the potential benefits of a real risk management will decline for the organisation, its employees, customers and the public (Drennan, 2004).

An effective corporate governance is both a management issue with regard to having the proper ethical attitudes at the top as well as a cultural issue in terms of ensuring that these attitudes permeate to all aspects of the business conduct and operations. Ethical values and integrity are crucial to the creation and maintenance of an efficient cooperate governance (Arjoon, 2006). "It is the responsibility of the board of directors, both individually and jointly, to ensure that all business risks are well addressed. The drive for ethical business must originate from the top."(Drennan, 2004, p. 17).

It seems highly significant for managers, executives and board of directors to know exactly how to create and maintain an ethical culture within an organisation with respect to personnel to increase employees' awareness. While there is no single solution that suits all businesses, it is assumed that particular essential factors must be in place for any significant improvement and sustenance of an ethical corporate culture (Schwartz, 2013). Organizational culture is considered to be the primary determinant of the extent to which people behave ethically within an organisation and its role has been increasingly recognised (Graham, 2013).

Corporate culture creates a kind of association between the organisation and its members, especially when the components of organisational culture are compatible with the personal employees' values, which drives them to integrate with their organisation and abide by the goals and norms of conduct. Therefore, individuals are committed to their organisation's values, prompting them to pursue goals and levels of required performance. The primary concern is that organisational culture is to be understood and accepted to govern and move organisations. This makes corporate culture an essential ingredient for effective corporate governance. As the main aim of corporate governance is to eliminate problems caused by moral hazards (Sobhan, 2014).

2.10.1 Corporate culture of effective corporate governance

Banking and banks depend primarily on mutual trust. Trust takes years to be built and can be lost instantly due to failures caused by ethical issues as well as values and manners. Unfortunate events that led to the international financial crisis and its consequences have shown many cultural failures. Much of these failures rest on a firm's culture. The banking industry needs to completely reform the destruction caused by cultural failures, values, and manners, and shall follow the challenge with better control, power and aim to accomplish noticeable developments in reputation and outcomes (Song and Thakor, 2018).

The Enron experience, along with other dramatic governance failures, emphasised the significance of board culture (Bader, 2002). Undoubtedly, there is a need for a new paradigm in the corporate world. There is a need to develop a corporate culture that respects individuals and allows their development regarding ethical decisions. Ethical management identifies the values through which the company operates (Kinsella and Mc Nerney, 2005). Schwartz et al. (2005) emphasized the urge for the board of directors to consider their ethical obligations as corporate scandals included serious board failures. Thus the boards need ethical commitment as well as are obligated to act as the role model as they are in charge of responsibility within the organisation.

Many senior executives and CEOs are often isolated from their organisation's internal culture, making it difficult to observe the relationship between performance and culture (Childress, 2011). What Enron truly lacked was not talent, process or a structure but rather a culture of independence and accountability (Bader, 2002). The valuable lesson that needs to be considered from Enron is that companies might have board structure and processes that can pave the way for effective corporate governance. However, organisations might still miss the culture that decides whether board members manipulate their skills to the maximum and exert the required efforts (Bader, 2002). Currently, organisations require a culture that let board members perform their duties; they need set organisational welfare as a priority (Bader, 2002).

Managers' responsibilities are to manage the organisation's mission, culture, objectives and employee well-being (Perks and Smith, 2015). The two fundamental attributes of corporate governance system are the responsibilities of the board of directors and the incentives provided to the top management. The board of directors performs an advising and monitoring role to ensure that management is making decisions in a manner consistent with the organisational objectives (Eccles et al., 2011).

Corporate culture shows a dynamic living phenomenon that creates a shared meaning utilised by the organisation's significant key figures such as executive managers (Berson et al., 2008). Agle et al. (1999) claimed that CEOs sculpt their firms with their own values through their strategic decisions. Numerous studies recommend links between organisational characteristics and CEO (e.g. Hambrick and Mason, 1984; Hoffman and Hegarty, 1993). Top managers target communicate their values to personnel to lead the firm and shaping behaviour (Berson et al., 2008).

In the past decade, corporate ethics have received great attention especially after the 2008 financial crisis and witnessed corporate scandals (Enciso et al., 2017). Ethics is a philosophy that refers to what is right and wrong (Graham, 2013). On the other hand, integrity is defined as "the quality or state of being complete; in an unbroken condition" (Guiso et al., 2013, p. 5). Certainly, reinforcing ethics and integrity within financial institutions entails a culture in which ethical behaviour is continuously rewarded and recognised throughout the entire organisation. Integrity and ethical behaviour must be a prerequisite for financial managers (IMF, 2014). Upper management is the starting point of building a strong ethical culture (Enciso et al., 2017). For instance, the culture of keeping your word, a top management that keeps its word validates this behaviour as a corporate norm, enforcing this integrity norm among employees, thereby decreasing moral hazard problems of employees (Guiso et al., 2013). The board of directors' commitment to ethical behaviour is essential for maintaining an ethical corporate culture (Weaver et al., 1999).

Ethics offer guidance that direct employees' behaviours in different situations. An organisation's code of ethics is a policy statement that sets an organisation's ethics, rules of proper business conduct and practices concerning responsibility to different parties such as employees, clients, shareholders and the environment (Graham, 2013). Moreover, it is a written expression of an organisation's values and ethical norms and is part of an organisation's ethical programme. For best practices, the company's code of ethics should be communicated, announced, enforced and made pertinent for all employees (Graham, 2013).

Ethics and integrity can be regulated through policies, codes and systems (Kaptein, 2006). An ethics code addresses the global aspects comprising environmental concerns, legal compliance, workplace issues and the entire society. When creating an ethical environment, employees must comprehend that ethical conduct will get rewarded and failure to adhere to the Code of Ethics will have serious consequences. Furthermore, performance assessment should reward morally motivated conducts and discipline employees who violate the organisation's ethical standards (Enciso et al., 2017).

Bader (2002) views commitment as mutually reinforcing behaviour of board culture, organizational commitment is the glue that holds and binds individuals to organisations (Azizollah et al., 2016). Organizational commitment is defined as an employee's behaviour towards an organisation that involves (a) a strong belief in and acceptance of the organisation's goals and values; (b) an enthusiasm to spend considerable effort on behalf of the organisation; and (c) willingness to continue and sustain membership in the organisation (Mowday et al., 1982; Porter et al., 1974; Ortega-Parra and Sastre-Castillo, 2013)

Employees' commitment is crucial for organisational success (Hai et al., 2018). A strong corporate lets individuals comprehend the overall organisation's purpose (goals, mission and vision). When employees understand the organisation's goals, they become motivated towards their achievement and increases their level of commitment **(**Nongo and Ikyanyon, 2012). Moreover, shared values improve personnel's attachment to the organisation **(**Nongo and Ikyanyon, 2012).

Commitment and accountability are two sides of the same coin; directors of an effective board must be fully committed, as a cohesive team, to the company's vision, mission, values and to one other (Bader, 2002).

Corporate culture has infused and has had a powerful influence on all the organisation's activities as well as all the aspects of a company's business. Culture is not something that an organisation has rather it is what the organisation is (Mitic et al., 2016). Culture plays a noticeable role in an organisation's success; it gives a sense of identity to its individuals and provides commitment to the organisation's mission, objectives and mission as well as sets standards for employees' expected behaviours. This drives employees to enhance their skills and capabilities and guides them with regard to the organisation's future plans and strategies. Consequently, corporate culture improves competences and performance of organisations (El Leithy, 2017).

According to ethical intuitionism, individuals use elementary moral components such as loyalty, care, fairness to decide ethical conducts (Graham et al., 2012). Trust is shown in open discussions and communication which take place in informal situations (Azizah, 2011).

Consistent organisations establish a shared mindset and develop organisational systems that construct an internal governance system. These inherent control systems can accomplish coordination and integration more effectively than external control systems that depend primarily on rules and regulations. Such organisations are characterized as comprising highly committed employees, a unique method of doing business and a clear set about what is permissible and what is prohibited (Pirayeh et al., 2011).

Organizational culture influences the way in which members behave within an organisation (Nongo and Ikyanyon, 2012). A strong organisational culture allows employees to comprehend the organisation's goals. Corporate culture is crucial in developing and maintaining individuals' commitment (Nongo and Ikyanyon, 2012). A strong culture shapes the employees' behaviour, coordinates their interactions, creates common beliefs, work commitment, identifies organisational personality and creates self-control (Azizollah et al., 2016).

Commitment is the willingness of individuals to be loyal and devoted to the organisation's goals and values (Pettigrew, 1979). The stronger a culture within an organisation, the greater the confidence incorporated in the employees' commitment. This serves as an instrument for motivating and controlling employees, thus improving their performance. Corporate culture assists in aligning individuals' goals with management's goals which ultimately helps boost productivity and increase overall performance (Owoyemi and Ekwoaba, 2014). As no one can buy the hearts of employees, proper organisational culture can be the generator of commitment, motivation and consensus among employees (Ghinea and Bratianu, 2012).

Schwartz et al. (2005) proposed a framework for an ethical code for corporate boards and individuals of which there are six common main ethical values: (1) honesty, (2) loyalty, (3) integrity, (4) accountability, (5) fairness and (6) belongingness.

Greenfield (2004) identified four critical issues to be considered while developing a company's ethics statement or programme: (1) applicable laws and regulations, (2) corporate procedures and policies, (3) corporate values and (4) personal values. Training in ethics and values should target four objectives: (1) raising awareness about values relating to the company's culture and strategies, (2) stressing the importance and providing outline of the firm's values and ethics programmes, (3) giving personnel the provisions to take ethical decisions on their own and (4) teaching personnel to assume responsibility for all consequences of their own actions.

Employees are required to align strategically with their organisations. To achieve this, there must be an alignment between employees' behaviours and an organisation's strategy. Organizations must reveal the company strategy and maintain transparency to motivate employees to get engaged in changing behaviours and achieving this alignment (Salazar, 2017).

Transparency is an extensive and compound concept that makes visible how organisations are run to achieve their goals. Transparency is a main value and an essential part of an organisation's culture. It is primarily concerned with availability and access to information, strategies, and processes that enable employees to behave in a creative manner on behalf of the organisation (Bruhn, 2018). It is considered the essence of an organisation or the organisation's identity. There is often a strong support for transparency when the organisation's culture and leadership embrace transparency as a value, reinforcing and maintaining it (Bruhn, 2018).

An organisation is considered transparent when it adopts explicit and consistent values. Values characterize the organisational culture and show how it is unique, why it exists, what its members believe in and what it stands for. Values that organisational leaders praise and reward are transferred and communicated to the organisational members (Bruhn, 2018). Transparency is important in promoting accountability as work transparency and decision-making by supervisors and regulators can contribute to discipline the supervisory element which in effect leads to effective supervisory results (IMF, 2010).

Accountability entails being transparent, responsible and legally obligated to mechanisms and rules that are designed to enforce some form of guidance and control (Dubnick and

Brien, 2009). Furthermore, bank employees should understand that they will be held responsible for their actions involving risk-taking and its consequences (FSB, 2014). The importance of accountability has become evident in debates about the recent collapse of global financial markets. Due to this collapse, many firms and institutions have been accused of absence of accountability. Justifications for the crisis have varied from narrowly technical to widely systemic (Dubnick and Brien, 2009).

Banks ought to have an environment that nurtures communication and open discussions leading to effective communication and challenge (FSB, 2014). One-to-one discussions and interpersonal communications are vital between employees and the hierarchy, stressing the crucial role of corporate culture in the development of effective internal communication (Sebastião, 2017).

Communication has been widely considered the lifeline of an organisation. It is a prerequisite for exchanging knowledge and opinions, making proposals and plans, reaching agreements and implementing decisions. Communication is a condition for organisational success and growth. Effective communication is vital to the management functions of leading, planning and controlling the organisational resources to attain the company's goals (Gramatnikovski et al., 2015).

Some organisations recognise that when they fail to address frontline behaviours and attitudes, which is considered the first line of defence against risk, crisis will continue to emerge. Risk culture is a setting in which human decisions are made that govern the organisation's day-to-day activities; even minor decisions that are apparently safe can be risky (Krivkovich and Levy, 2013). The right culture is not necessarily high or low risk but entails the optimum risk taken according to the company's profile, strategy, planning and financial position. Managers should assume risks emerging from corporate culture and conduct (FSB, 2014). Essentially, having a robust risk culture does not essentially mean taking lower risks. In fact, companies with the most effective risk cultures might take a lot of risks, enter new markets, invest in growth opportunities and acquire new businesses. In contrast, those with ineffective risk culture might assume the least risk due to fear of losses and miss significant investment opportunities. Indeed, it is unlikely that any programme will totally prevent a company from encountering bad representatives or unforeseen events (Krivkovich and Levy, 2013).

It is essential to define and manage a culture in an organisation's strategic plan in terms of risk management and corporate governance (O'Donnell and Boyle, 2008). Corporate culture has a major impact on risk-taking in banks besides pay and governance. It is very challenging to establish an incentive system that allows bank managers to always take the right decisions (Stulz, 2014). Financial and nonfinancial rewards must sustain and be compatible with the company's values (incentives) (IMF, 2014). In circumstances where incentive rules cannot serve, corporate culture will guide decision-making and complement a bank's ability to manage risk. Therefore, corporate culture establishes a group of unwritten rules that are widely shared and that determine acceptable behaviour (IMF, 2014).

"The most significant factor in risk management is the cultivation of a consistent risk culture throughout the whole organisation" (Levy et al., 2010, p. 2). Risk culture is at the heart of employees' decisions and governs the daily activities of every organisation. It is pertinent to all parts of the organisation and not only risk managers (Levy et al., 2010). A common feature of culture is that it is acquired over time. There are some indicators of a sound risk culture (FSB, 2014) such as follows: management and boards must establish the foundation and basis for ethical conduct and integrity and clarify that compliance will not be penetrated (tone at the top).

Success begins with leadership and tone at the top. Executives establish and articulate corporate culture and values and lead by example. High standards of ethical behaviours should be displayed by both leaders and employees (Bolton et al., 2013). Organizations' leaders are responsible for understanding and communicating culture throughout the entire organisation through rewarding aligned behaviours or disciplining strayed behaviours from the values espoused by corporate culture (O'Donnell and Boyle, 2008).

Meanwhile, the board of directors must ensure that the assigned senior management have the appropriate ethical considerations and communication skills to instil the most effective culture. A leader's behavioural characters and their communication with followers are also critical to decide the organisation's ultimate performance (Bolton et al., 2013).

With reference to Schein (2004), there are five principal tools that a leader can utilise to influence an organisation's culture: devotion, leading by example, reward allocation, reaction to crisis and selection and dismissal criteria. Schein's hypothesis is that these five principles influence and motivate cultural and behavioural norms within an organisation. Leadership is the critical factor of a corporate culture as leaders can create, strengthen or alter the organisation's culture. Leadership is equally important to an organisation's ethical environment (Sims and Brinkmann, 2003).

Corporate culture in banks assumes a crucial role more than it does in any other industries; bank employees confront situations in which rules are confusing when it comes to decision-making or allow for discretion. This can lead to the misconception that bad behaviour will go without punishment and good action will go unrewarded or even unrecognised (IMF, 2014). Stressing the right tone at the top is an important step towards enhancing the corporate culture in banks (IMF, 2014).

First, if the leaders of the organisation focus on the bottom line, the personnel strongly feel that the financial figures and the performance are the guiding values to follow. In such a framework, regulations and ethics become obstacles and barriers along the path to financial success (Sims and Brinkman, 2003). When the company's leaders are concerned mainly with only short-term gains (Velentzas and Broni, 2010), the employees quickly get the message and follow (Sims and Brinkman, 2003). Second, crisis highlights what leaders consider valuable and helps bring these values out to the light. With every looming crisis, leaders are given the opportunity to convey the company's values throughout the entire organisation (Sims, 2009). Third, deeds speak louder than speeches so leading by example is a powerful instrument that leaders can use to develop and influence corporate culture. Leaders can strengthen and grow values that support corporate culture through coaching, teaching and role modelling (Tran, 2017). Fourth, the rewarding system developed by leaders indicates what is expected and what is rewarded in the organisation. Ethical recognition implies that an individual has performed an honest and an ethical act and is rewarded by the company's leaders; this would send a clear message to the entire organisation (Sims, 2017). Finally, the selection of recruits by a company is a master tool as to how a leader enriches culture. Leaders are often more likely to unconsciously select recruits who possess values and assumptions that are similar to those of the organisation's members. This tends to extend the culture as potential employees will also have the same values (Sims and Brinkmann, 2003).

According to Smiricich (1983), organisational culture is a mechanism that can be utilised by senior management to control employees' behaviour. This can be achieved by sharing and conveying beliefs, values and norms among employees which in turn will provide them a sense of belongingness and accordingly motivate them.

Management control is the function of influencing individuals within an organisation to effectively achieve the company's objectives (Nurwati, 2013). The controlling function aims to identify the potential weaknesses within the entire process beginning with the planning phase and ending by the implementation phase to obtain a feedback about the company's performance (Nurwati, 2013). Moreover, management control aims to compare actual results with planned standards to evaluate employees' performance (Nurwati, 2013).

Merchant (1998) suggested that management control should help monitor employees' behaviour as well as take decisions that control activities taking place within the organisation. For instance, linking compensations with employees' performance can lead to better and more effective performance. Similarly, corrective actions must be taken in case of breach of the organisation's rules or any violations committed by employees (Merchant, 1998). The primary objective of control is to communicate and inform employees about the rules and decisions and reward certain behaviours. Controls are required to co-ordinate and motivate employees to achieve organisational goals (Langfield-Smith, 1995).

In order to serve the organisation's best interests, the management must control employees' activities. This control function can be achieved by means of formalised rules (bureaucratic tools), economic prizes, sanctions or norms and values about how work is to be done (Sinclair, 1993). The rationale behind dismissing an employee as well as the manner of dismissal also communicates the culture (Sims and Brinkmann, 2003). The scheme of selecting and rewarding was compatible with the culture at Enron. Enron's executives selected employees who shared their same aggressive mentality of winning at all costs. Their short-sighted and narrow view hindered them from avoiding long-term costs and consequences of this culture harmed the entire organisation (Sims, 2017).

Typically, there are many ways in which a corporate culture can fit and adapt to environmental needs. The manner and direction in which the culture is adjusted are likely to mirror its leader's personal values (Berson et al., 2008). Globally, all businesses are run within competitive and turbulent environments (Kitchell, 1995). Organizations are operating in a dynamic environment that threatens their survival (Sheppard, 1994). These environmental challenges involve high competition, changing customer needs and technological innovation (Costanza et al., 2016). Adaptation to environmental changes has always been of a great concern to business leaders. In a continually changing environment, flexibility and adaptability are vital for an organisation's survival (Costanza et al., 2016). Organizations that adopt a culture of flexibility and communication openness have a greater ability to cope and respond to environmental changes (Kitchell, 1995). Technology plays a crucial role in the adaptation process (Kitchell, 1995).

Corporate culture is often regarded as a relatively steady and durable characteristic that might enable organisational members to realise any evolving changes within the organisation's environment and implement necessary adaptations (Denison and Mishra, 1995). An organisational culture is deemed effective when the adaptation process enables employees to realise environmental challenges, find solutions and react rapidly to changes (Schneider et al., 2013). In contrast, organisations that are too narrowly focused and unable to support recognition are unlikely to succeed and survive when reacting and adapting to environmental changes (Costanza et al., 2016).

Effective organisations are likely to have a robust culture characterized by high consistency, well coordination and integration (Gomez et al., 2009). Different functions and departments within the organisation can easily work together to achieve common goals. Coordination and integration among members creates a pleasant atmosphere that is important for individuals to have a common perspective. It also leads to the alignment of goals throughout organisational levels to get work done and eliminate organisational boundaries (Pirayeh et al., 2011).

Governance refers to the rules and policies, culture refers to the habits and expectations and leadership refers to the extent to which people command and control versus inspire individuals to connect and collaborate. Organizations can no longer afford to treat governance, culture and leadership as distinct but need to align these into a single system capable of animating inspired behaviour (LRN, 2015). Schein (2004, p. 1) argues that culture and leadership are two sides of the same coin.

Furthermore, homogeneity in beliefs and values is significant for agency theory in general. Specifically, stable organisations might have the inherent ability to minimise agency problems by creating internal homogeneity. In other words, organisations can avoid agency problems instead of solving them (Van den Steen, 2003). Initially, organisational culture was considered the means of stressing internal coordination and integration. Moreover, the importance for an organisation to adjust to environmental changes was later recognised. Furthermore, the necessity for a strong and flexible organisational culture in designing the behavioural norms to be aligned with the continual changes was also acknowledged (Ghinea and Bratianu, 2012).

A company that adopts a strong adaptive culture has the ability to accommodate to the rapid changes experienced by the world economy to achieve company’s goals and enhances its performance. An example of these changes was corporate governance that works on enhancing the corporate image, position and profits after the financial crisis occurred. This suggested the urge to introduce a governance culture that guides and reforms any delinquent behaviours shown by any of the company’s members. A lot of studies have approached corporate governance. But no study has introduced corporate culture variables that support the role played by corporate governance.

This study posits that for corporate culture to be an active agent and achieve its goals, it must include several components and attributes that make it worthwhile such as leadership and tone at the top, commitment, transparency, accountability, coordination and integration, adaptability, risk, communication, control, ethics and integrity. Corporate culture is vital in the life of organisations as it becomes integrated leads to the formation of a harmonious, coherent entity a clear and definite direction, bringing together the organisation's members and directing them towards a single goal: the organisation's continuity, viability and competitiveness. The corporate culture's role is essential in controlling the behaviour of its members and giving the organisation a competitive advantage, and its key role is the inspiration for studying organisational culture and its functions within the organisation

2.11 Basel Committee

The banking sector is one of the vital components of the economy as it is the channel for financing businesses as well as providing various banking services to a wide array of individuals. After several disturbances in the banking markets, there was a need to control the sector. Therefore, the Basel Committee for Banking systems and regulatory practices was established at the end of 1974 by the Central Bank Governors and the committee was held in Basel city, Switzerland (Goodhart, 2011). In 1988, the Basel I aimed to establish common international standards for prudent control over the capital adequacy requirements of banks to meet both credit and market risks. The Accord put an 8% of capital to risk-weighted assets as a minimum ratio (Goodhart, 2011). This Accord was amended in Basel II which aimed for a new capital adequacy with minimum capital requirements as well as effective disclosure (BCBS, 2011). After the financial crisis in 2008, Basel III attempted to set new capital and liquidity standards for sound liquidity risk management and supervision (BCBS, 2011).

2.12 Banking vs Non-Banking Institutions in Corporate Governance

The healthy functioning of the banking system is in the best interest of the public (Mehran and Mollineaux, 2012). In an environment with ideal knowledge and information as well as absence of market failures, the interests of shareholders and the entire society would be aligned naturally. Banks could boost profitability and value maximisation could be attained solely through the pursuit of productive activities that develop and enhance the overall quality of financial intermediation (Stiglitz et al., 2009). Any unexpected setback that inhibits the banking system from performing its role in financial intermediation can lead to a serious and extended crisis in the economy. Non-banking institutions and households might suffer even more than financial firms (Mehran and Mollineaux, 2012).

Financial institutions are more risky than non-financial firms as they are more leveraged. The nature of banks' assets (loans) which are illiquid and often have long maturities compared to banks' liabilities (customers' deposits) which are liquid makes the bank industry quite risky and might threaten the stability of the economy (Ferrarini, 2017). Thus, their failure might have more adverse consequences due to their unique position in the payment system and financial intermediation, creating a negative impact and systemic risk for the economy. Therefore, financial institutions are more heavily regulated than non-financial firms (De Haan and Vlahua, 2012). As mentioned previously, financial institutions rely extensively on depositors for their funding which makes them even more risky. Meanwhile, depositors do not have the motive to monitor bank managers as they are protected and are thus less susceptible to bank risks (Demirgüç-Kunt and Detragiache, 2002). The government will bail financial institutions out of any deficiencies which reduces monitoring by creditors; this might increase the moral hazards of managers and might also encourage them to engage in excessive risk-taking projects on behalf of investors (Ferrarini, 2017). Thus, corporate governance should be designed to align the interests between managers and creditors including depositors (Acharya and Richardson, 2009).

Moreover, as banks are more opaque, it is difficult to evaluate their risk profile and stability. Furthermore, information asymmetries hinder market discipline making it difficult to monitor creditors' money which might result in moral hazard of managers. For instance, bank managers who are interested in increasing their compensations over the short term can often design compensation packages based on their advantage at the expense of the long-term wellness of the bank (Levine, 2004). Short-term debts are more commonly used to fund operations than long-term debts. The agency costs between shareholders and stakeholders (creditors) allow rapid risk-shifting (Becht et al., 2011).

Concentrated ownership is a common corporate governance tool to address the incapability of dispersed shareholders to exercise effective control. However, this is not the case in banks where governments restrict the concentration of equity in banks and limit outsiders' ability to purchase a significant percentage of bank stock without regulatory approval. These constraints are in place to prevent concentrations of power within the economy or to prevent having some people from controlling the bank (Levine, 2004). On the other hand, concentrated ownership is in favour of non-banking institutions to align the interests of both owners and managers. While in non-financial institutions such an action might increase monitoring by insiders, it is threatening for financial institutions given the regulatory restrictions on control and ownership (Shleifer and Vishny, 1986).

Corporate governance is mostly defined in terms of board of directors (Mehran and Mollineaux, 2012). Adams and Mehran (2003), in a comparison between bank holding companies and manufacturing firms, found that the board size is larger and there is a higher proportion of outsider directors in banks' board than in manufacturing firms. Moreover, banks' boards tend to meet more frequently and have more committees. The chief executive of banks get a smaller ratio of stock option to pay salaries plus bonuses, and the percentage of CEO direct equity holdings is smaller for banks executives (Adams and Mehran, 2003).

Generally, companies face corporate governance issues through their connections with other market players in a continually competitive market. In non-financial institutions, market discipline is conventionally imposed by shareholders and creditors and so is the threat of takeovers by competitive pressures within the market. Credit-rating agencies as well as securities analysis are also involved (Mehran and Mollineaux, 2012).

These differences between the governance of banking and manufacturing firms stimulates the debate that governance structures might be indeed industry specific. These differences between the two types of firms might also be influenced by their different investment characteristics and regulations (Adams and Mehran, 2003). These findings propose that for governance reforms to be effective, industry differences must be considered (Adams and Mehran, 2003).

All these implications make financial institutions fall under a rigid regulatory system due to the unique role played by the banking institutions, the various functions of the banking system as a financial intermediary as well as its influential impact on the economy which is non-existent in non-banking financial institutions (Moudud-Ul-Huq, 2014).

2.13 Summary

The literature reviewed in this chapter indicates that organisational culture, corporate governance, and organisational performance studies have mostly been performed in organisations in Western countries. It is essential to know the generalizability of these research findings and their applicability in different contexts. Though organisational culture has been examined and related to organisational performance, few researchers have examined this topic in the context of Egypt.

This research involves studying corporate culture and corporate governance. Previous studies have included national culture instead of organisational culture into their research of corporate governance. The following chapter will overview the hypothesis development, the study's conceptual framework and the Egyptian context.

Chapter Three: Egyptian Context and Hypotheses Development

3.1 Introduction

The first section of this chapter shows the Egyptian context, history of the banking sector in Egypt, the literature gap in Egypt and compliance with the Egyptian corporate governance code. The second section of this chapter discusses hypotheses regarding the effects of corporate culture on bank performance and the effect of corporate governance with respect to board characteristics on bank performance and development of the conceptual framework.

3.2 The Egyptian Context

3.2.1 The history of the banking sector in Egypt

The financial system of Egypt has played a dominant role in the economic development process since the Egyptian banking system is one of the main pillars that supports development. The relationship between the development of the banking industry and economic growth is distinctive. Without investments recognised through mobilization of funds, economic development would be impossible. Thus, an effective banking sector is crucial for reaching low inflation, high employment and sustainable growth through the implementation of government economic policies. The primary objectives of the Egyptian banking industry should involve bank performance improvement, human resource optimization and information system development (Algarhi and Nasr El-Din, 2005).

The banking industry has passed through several stages in Egypt: the first bank was founded in 1856, the evolution of law 117/1961 of all banks' nationalization and the foundation of the Central Bank of Egypt (CBE) occurred in 1961 followed by the appearance of private segment and joint venture banks throughout the Open Door Policy duration in the 1970s. Furthermore, in 1991, the Egyptian banking sector experienced several reforms and privatization. The legal environment was responding to changes within the banking system to meet development and growth objectives (Algarhi and Nasr El-Din, 2005).

In Egypt, foreign-owned commercial banks were the first financial organisations to rise within the economic development process. The Bank of Egypt was founded in 1856 and was the first of these banks. The primary aims of this bank were financing the agriculture of cotton (there was an increased need of cotton from the mid-1960s as a result of the American civil war), to boost trade, particularly between Britain and Egypt, and to fund the government current expenditure by buying treasury bonds. Because of the crises that occurred in the 1870s and debt problems, numerous foreign established banks were unsuccessful and dissolved. Hence, there was an urging necessity for a bank that could assume a state bank role or act as a government's bank. Accordingly, the National Bank of Egypt was founded in 1898 (Algarhi and Nasr El-Din, 2005).

Later, the Egyptian revolution in 1919 stressed the need and encouraged a movement towards creating a purely Egyptian bank as an essential element for economic independence. Operating banks had been recognised to emphasise short-term financing which was incompatible with industrial ventures (Algarhi and Nasr El-Din, 2005).

Therefore, in 1920, Banque Misr was founded, becoming the second Egyptian bank. In the late 1930s, unexpectedly, the bank encountered problems as it was engaged in high-risk activities due to the bank's policy of excessive long-term lending versus short-term borrowing. Eventually, the unique function of Banque Misr began to fade away and it became similar to other commercial banks of the time (Algarhi and Nasr El-Din, 2005).

After the revolution of 1952, significant unfavourable changes disturbed the banking industry. The year 1960 saw the beginning of massive consecutive waves of nationalisation that hit the entire Egyptian banking industry, leaving it with only three specialised banks, five commercial banks that were all entirely owned by the Egyptian government and the Central Bank of Egypt (Omran, 2003).

Before the 1970s, no single private or joint venture existed in Egypt. The 1974 open-door policy revealed opportunities for increasing the awareness that enhancing the competitiveness and efficiency of the banking sector was crucial for the mobilization of necessary foreign and private funds to generate growth (Omran, 2003). Thus, *Law 120 of 1975* was passed by the authority to create joint venture banks and private and foreign bank branches. Consequently, a massive majority of joint venture and private sector banks were created in the mid-1970s. Some banks seemingly intended to increase the flow of international investments through their provision of banking services to foreign bodies working within the country (Omran, 2003).

> In the mid-seventies, the banking reform began where foreign bank were permitted to work in Egypt as part of the open door policies. Later in the 1990s, the banking industry was totally liberalised as part of Egypt's financial and economic reform plan, banking management and supervision, however, was further reinforced in line with the international standards (SIS, 2009, online).

Though there was a significant rise of foreign, private and mixed-ownership banks, there was no equivalent progress in financial services. The CBE proceeded its control over banking service charges, credit allocations and interest rates. Further, the large network of bank branches in the public sector enabled them to control the mobilization of savings. Consequently, the banking system continued to be highly segmented, leading to a shortage of innovation as well as competitiveness (Omran, 2003).

> The banking industry has a critical role in the growth and development processes in Egypt. The Egyptian banking sector is comprised of commercial banks which are divided into non-local and local banks. Furthermore, it involves specialised banks and other financial institutions working in the areas of credit and investment for agriculture, rural development, housing and manufacturing. Moreover, there are associated branches to these institutions and banks. The development and reformation of the banking sector will result in greater rates of economic growth. This can only be attained through the banking functions of mobilizing and transferring savings to the best allocations of investments. Sequentially this would result in increased productivity and greater accumulation of capital. To witness these desired outcomes, prudent controls as well as a friendly, non-distorted macroeconomic system and an efficient banking system are essentially needed (SIS, 2009, online).

In the early 1990s, the Egyptian government and business leaders realised that if corporate governance was properly implemented, it would lead to sustainable and high rates of growth. Thus, the Egyptian regulatory authorities attempted to respond to the urge for greater accountability and transparency regarding corporate governance disclosure (Mohamed et al., 2013).

In Egypt, corporate governance is a relatively new concept that emerged in the late nineties. The legal system governing its practices is mainly based on several laws that were established in the eighties which might be considered outdated and obsolete (Dahawy, 2009). The absence of awareness about the corporate governance notion has been a major issue regarding reforms in the Middle East even though there was no corresponding terminology given to corporate governance in these regions (Sorour, 2014). In early 2000, the term “Hawkamat AlSharikat” was brought to existence which is the translation of corporate governance in the Arabic language. Although, there was an argument regarding the correct Arabic translation of corporate governance, the term Hawkamat Al-Sharikat was proven to be accepted and widely shared followed by its approval by the Al-Azhar University in Cairo as the Arabic language official authority (Sorour, 2014).

International organisations such as the International Monetary Fund (IMF) and the World Bank have effectively contributed to the reforms of corporate governance in Egypt. This has occurred in collaboration with the government of Egypt through what is well known as report on the observance of standards and codes (ROSC). In the years 2001, 2004 and 2009, corporate governance in Egypt went through the ROSC procedure thrice (Sorour, 2014).

The Basel Committee on Banking Supervision intends to enhance the quality of banking supervision worldwide. Furthermore, apart from the Basel I and II requirements concerning bank capital adequacy, disclosure and transparency, and empowering supervisory authorities, the BCBS establishes the principles for good corporate governance in banks to improve bank stability and soundness worldwide (BCBS, 2006). In order to conform to requirements of the Basel Accords and improve banks performance, the Egyptian government began its comprehensive financial sector reform program in 2004 to be executed over the period from 2005–2008. This reform plan comprises privatization and consolidation of the banking sector, restructuring of state-owned banks, resolution of non-performing loans problems and improvement of the Central Bank of Egypt (CBE) banking supervision (Elbannan and Elbannan, 2014; Zerban and Ateia, 2016).

In accordance with the 2004 banking system reform plan, a series of legislative reforms starting with the proclamation of *Banking Law No. 88 of the year 2003* has taken place. The law includes the guidelines of the Basel Accords and comprises most of the principles of corporate governance established by the Organization of Economic Cooperation and Development. It pronounces a major step forward into confronting global banking competition and driving financial growth in Egypt (Elbannan and Elbannan, 2014).

Concerning corporate governance principles, the law sets the rules of reserve ratios, bank ownership structure and duties of board of directors and disclosure. The structure and duties of the board of directors are located at the top of a corporate governance framework for banks due to their sensitive role in banks. The major reforms in Egypt comprise the issuance of the 2005 corporate governance code (Elbannan and Elbannan, 2014). In August 2001, another favourable reform was the issuance of a corporate governance code for the Egyptian banking sector. The CBE necessitated that all banks operating in Egypt conform to the code provisions or clarify to the CBE any reasons for non-conformance. Banks were to be in line and comply with the corporate governance code by March 2012 at most (CBE, 2011). Consequently, the code improved practices of corporate governance within the banking industry and aided in addressing prior failures and problems that took place by giving all banks a clear comprehensible benchmark for good corporate governance on the basis of the international best practices in connection with the specific problems in Egypt (Sorour, 2014).

The Egyptian government has accomplished a great deal to enhance the regulatory, legal and institutional context for corporate governance. The Egyptian Institute of Directors (EIoD) was established by the Ministry of Investment. In Egypt, the EIoD was a step forward in reforming corporate governance since it was the first institute to emphasise corporate governance in the area and introduced corporate governance codes for state-owned and private firms (Worldbank, 2009). One of the primary aims of the EIoD is to promote awareness and enhance corporate governance practices in Egypt. The EIoD fulfils its purpose through the provision of advocacy activities such as providing knowledge on corporate governance principles, codes and best practices as well as providing training. The EIoD pursues ongoing efforts towards enhancing corporate governance practices as well as reinforcing the role of boards of directors in regional firms through holding national and international symposiums, conducting contests to build awareness, developing manuals and processes to assist in implementing corporate governance (Dahawy, 2009).

Further, the CMA in 2005 participated in reforms of effective corporate governance through restructuring its organisations by introducing a specialised sector in corporate governance and corporate finance. The CMA took steps to support corporate governance by enhancing the auditing profession's quality level. Moreover, the CMA issued a new code of ethics for auditing in Egypt in 2007. This code of ethics explains and discusses the laws and regulations for significant issues, for instance, professional behaviour, auditor independence, secrecy, competence and objectivity. Furthermore, it shows terms and conditions for significant subjects, such as marketing services, conflict of interests, employing auditors, gifts and fees (Dahawy, 2009).

Several changes have been made to the legal and regulatory context to reinforce disclosure rules; firms are obliged to assign audit committees at the board level as well as update the auditing and accounting context in compliance with the international standards. Various important provisions of 2001 and 2004 ROSCs corporate governance have been implemented by the Egyptian authorities (Worldbank, 2009). Therefore, reforms of bank governance in Egypt is an ongoing dynamic process in which banks embrace corporate governance principles to attain legitimacy from the Egyptian Central Bank and shareholders (Sorour, 2014; Dahawy, 2009).

> The Ministry of Economy, in in collaboration with the CBE drafted a new Central Bank Law so as to govern performance of the Egyptian central bank in order to reinforce the role and independence of the CBE. In light of these modifications, the CBE would have total independence in setting monetary policies and achieving greater supervisory activities over the Egyptian banking system (SIS, 2009, 0nline).

3.2.2 The literature gap in Egypt

The researcher aims to fill the gap in corporate culture and corporate governance research in Egypt. It seems that Egypt is much understudied in the literature (El-Masry, 2010).There is a limited number of studies on corporate governance and its impact on performance in Egypt: Helmy (2016); Elbannan and Elbannan (2014); Zerban and Ateia (2016); Kenawy and Abdel Ghany (2009); Dahawy (2009) and Sorour (2011).

Helmy (2016) studied the influence of board characteristics (namely board meetings frequency, board size and duality of the CEO) on the firm's financial performance during the period 2007–2011. The study found that there is a positive relationship between board size and ROA and ROE (financial performance). Furthermore, there was a positive relationship between board meeting frequency and CEO duality and ROE, and an insignificant relationship between board meetings frequency, CEO duality and ROA.

Elbannan and Elbannan (2014) examines the relationship between governance quality and performance in the Egyptian banking sector. The study's results show that governance has a positive and significant impact on Egyptian bank performance. Zerban and Ateia (2016) investigated only one variable: CEO duality and its effect on financial performance in Egyptian banks. The study does not support CEO duality to enhance banking corporate governance that will apparently lead to better financial results. Dahawy (2009) presented a brief overview of key developments in Egypt associated with corporate governance disclosure involving reforms to the regulatory framework along with the presentation and analysis of the results of review of corporate disclosure practices among leading firms in Egypt. Dahawy (2009) found low levels of disclosure in Egypt.

Kenawy and Abdel Ghany (2009) aimed to identify the various concepts of governance and review the most important criteria and different principles of governance with respect to the institutional framework that organises its work nature. Sorour (2011) explores the phenomenon of corporate governance in the Egyptian banking sector to understand the nature of corporate governance in this context and identify the factors shaping it.

Elsayed (2007) examined the association between CEO duality and firm performance. He found no relationship between CEO duality and performance and discovered a positive relationship between board size and firm performance in the existence of non-CEO duality. However, this relationship turns to be negative under the presence of CEO duality.

El-Masry (2010) examined the relationship of corporate governance mechanisms, ownership structure and Egyptian firm performance based on a sample of 50 firms. The findings indicate a positive significant relationship between board independence, the presence of institutional representatives on boards and performance. Moreover, there is a significant negative relationship between CEO duality, board size, the existence of company's website and performance. The study's findings also present a significant positive relationship between the proportion of female members on the board of directors and performance in Egyptian companies.

The Egyptian market structure is dominated by government-owned firms with a comparatively limited number of private firms with innovative management styles, however, they are still not as profitable and stable as public corporations (El-Masry, 2010).

Mohamed et al. (2013) studied the effect of corporate governance on firm performance of 88 non-financial companies listed in the Egyptian stock exchange. The study found that ownership structure had significant impact on firm performance. Board independence was the single board structure variable that affected firms' market performance. Moreover, board independence and CEO duality affected the firm's book value performance. Both firm size and leverage had varied effects on book and market value performance of non-financial companies.

Amer's (2014) study analysed the relationship between the board characteristics (board meetings, CEO duality, percentage of independent directors on the board and the director ownership) and performance. Moreover, Dahawy and Samaha (2011) investigated the extent and determinants (board composition, ownership structure and audit committee existence) of voluntary corporate disclosure in the annual reports of the largest 100 firms listed on the Egyptian stock exchange. Their results suggest that overall voluntary disclosure was low at just 13.42% with an extensive variation range. This positions Egypt at a lower level compared to other emerging capital markets such as Malaysia, Singapore and Hong Kong. The study's findings show the audit committee as the most influential variable on voluntary disclosure. Moreover, firms with a greater percentage of independent non-executive directors have a greater extent of voluntary disclosure.

Elshawarby (2018) investigated the relationship between Environmental and Social Corporate governance practices and the financial performance of Egyptian private sector companies included in the official share index of the Egyptian stock change. The results of the study show that there is a strong correlation between social governance with its four dimensions (disclosure, transparency, investor rights protection and board responsibilities) and the financial performance of Egyptian private sector companies within EGX30.

Overall, none of the aforementioned studies have studied corporate culture variables that promote a governance culture that enhances that role of corporate governance in the banking industry as well as board characteristics that enhance performance of banks in Egypt.

3.2.3 Egyptian corporate governance compliance

The French civil law for corporations shapes the corporate governance system in Egypt (El-Masry, 2010). The Anglo-American influence is predominant in the new capital market law and the securities depository law (Mohamed et al., 2013). According to the Financial Stability Forum, the Report on the Observance of standards and codes assesses the corporate governance practices in Egypt against the OECD Principles of Corporate Governance. This evaluation highlights several areas in which the Egyptian corporate governance needs to be strengthened: disclosure of control and ownership structures; disclosure of financial and non-financial information; capacity-building and training of regulators and the private sector; role and effectiveness of shareholders' meetings; boards of directors' practices; and professional conduct of auditors (World Bank, 2001)

The assessment of Fawzy (2003) showed that progress was attained including five principles of corporate governance although the degree of enhancement varied from one criterion to another. Based on this evaluation, the five corporate governance principles are ranked according to their degree of conformity with the international standards as follows: the role of stakeholders or related parties with the firm, equitable treatment of shareholders, shareholders' rights, disclosure and transparency and the board of directors' responsibilities (Fawzy, 2003).

Despite this notable improvement, there remains a necessity for advancing the legal framework of corporate governance and an urge to improve the application of corporate governance standards. The most important areas that remain to be addressed and require further efforts are protection of the minority shareholders' rights, ensuring that the board of directors perform its responsibilities and controls, disclosure of the ownership structure details and finally pursuing the legal framework and boosting the efficiency of the supervisory bodies (Fawzy, 2003).

Bremer and Elias (2007) discovered certain obstacles to corporate governance development in Egypt such as significant public ownership in privatized corporations, absence of awareness about principles and benefits of corporate governance, lack of independency in the board of directors, and weaknesses in the Egyptian economic structure in general.

Public banks still have a major role in countries such as Egypt. The latest figures show that non-performing loans are almost above 16% in Egypt (IMF, 2009). It was found that the boards in most banks in Egypt were in charge of establishing the corporate strategy instead of management. This is in contrast to the good practice under which the management develops and the board reviews and guides corporate strategy (OECD, 2009). Moreover, banks boards do not meet frequently which is not sufficient to perform the necessary control and monitoring of the bank's operations (OECD, 2009).

The authorities in Egypt have settled local accounting standards consistent and compliant with the international accounting standards. The recent figures indicate that banks are ahead of the listed companies in adopting IFRS (OECD, 2009). Moreover, the central banks have developed list of auditors with specific qualification/experience relevant to bank audits while also setting the minimum number of auditors required to perform the bank's audit (OECD, 2009).

Shahwan (2015) found that Egyptian firms show poor levels of corporate governance practices, primarily in the board of directors' structure. Moreover, Shahwan (2015) emphasized that the implementation of the Egyptian corporate governance practices should be controlled by the Egyptian legislative framework and compliance with these practices should be compulsory

A firm's ownership structure is considered one of the most significant mechanisms in corporate governance due to its influential role in monitoring and constrain any opportunistic behaviours on the part of management while running the firm (Makhaiel, 2018). Dahawy (2009) found that financial transparency is the strongest corporate governance mechanism in Egypt in contrast to weaknesses in ownership structure.

Boards seem to be relatively large with an average of nine members. Although board members possess the required skills and competencies, gender diversity is very limited (Cigna et al., 2017). Boards in Egyptian firms appeared to be a one-tier structure such that a single board comprises executive and non-executive directors. The Egyptian Corporate Governance Code recommends that the majority of the board should comprise independent non-executive members with an adequate combination of skills, qualifications and analytical experiences relevant to the entire corporation. However, boards appear to lack the necessary level of independence to provide assurance to investors and offset the influence of controlling shareholders (Amer et al., 2014). The criteria of classifying board members as independent are not clearly disclosed by the companies, which arouses doubts regarding the actual independence of these members (Cigna et al., 2017).

Although the roles of the chairman and the CEO are to be separated, it appears that these positions being held by one person is a common practice in Egypt. This concentration of power in the hands of one person is potentially worrying in the absence of an adequate number of independent directors (Cigna et al., 2017).

Non-financial information is of low quality and is often hard to find. Furthermore, there is poor disclosure of board and committee activities and board members' management of the corporate's shares (Cigna et al., 2017). Although listed companies are entailed to submit a corporate governance statement, mostly the provided information is unclear and unable to define whether the company is consistent or not with the Corporate Governance Code (Dahawy and Samaha, 2011). Monitoring compliance with reporting obligations by the stock exchange has become recently active. However, it is still difficult to find information and any available information might be outdated (Cigna et al., 2017).

Moreover, companies are required to provide exact information about the number of board and committee meetings with reference to their performance; the provided information in this regard is very limited and there is poor disclosure of the composition of committees (Cigna et al., 2017).

All the aforementioned implications indicate that the Egyptian banking sector still has a lot to be executed on the level of the boards' formulation and practices especially on the level of more active and efficient board committees. Therefore, banks must work on attracting more experts as independent members on bank boards to enrich their work and expand the scope of engagement with the daily challenges facing the banking sector. Also, a lot of efforts shall be dedicated to improve the board’s structure and its compliance with the Corporate Governance Code in Egypt which grasped the researcher’s attention to examine board of directors’ characteristics namely: board size, frequency of meetings, board independence and CEO duality

3.3 Corporate Culture and Performance

Corporate culture has a significant part in the success of business performance as it sets strategies, values, rules and norms of a company (Chadegani and Jari, 2016). Leskaj et al. (2013) suggest that corporate culture is the primary determinant of an organisation's potential success or failure over the years as it has a long-term impact on company's performance. Marcoulides and Heck (1993) discovered that there is a significant positive relationship between an organisation's culture and its performance. Moreover, Oparanma (2010) discovered that organisational culture is an essential variable to be considered while addressing firm performance. Moreover, with reference to Duke II and Edet (2012), there is a positive relationship between organisational culture and performance. Company performance indicates the extent to which goals are attained within its workforce, marketing, capital and financial aspects (Marcoulides and Heck, 1993).

Organizational culture has a significant impact on the long-term survival and financial performance of businesses. Organizations with a deeply embedded culture seem to enjoy higher increases of revenues, greater increase of share prices, larger labour expansions and higher profit achievements than their competitors with weaker cultures (Davidson et al., 2007). The perception of culture and performance creates an association between strong culture and great performance. Nearly all directors share common values and strategies of conducting business within a strong corporate culture. Accordingly, potential employees quickly adopt these values and tend to move in the same direction (Leskaj et al., 2013).

When corporate culture is weak, fragile or even non-existing, each individual acts in diverse manners since there is no guide or culture for reference. This puts the organisation at a high risk of failure to unite employees' activities to attain goals. A strong culture improves business performance since it creates a sense of loyalty and ownership among employees. This sense motivates personnel to exert the required efforts to accomplish objectives (Leskaj et al., 2013).

Oyafunke et al. (2014) states that for a culture to be robust, it must be endowed with a company's common values that are primarily concerned with reducing turnover and promoting job satisfaction. They believe that a strong culture leads to actualization of a firm's strategic goals, vision and mission statement. It is noteworthy that corporate culture has an influence on the management's style and employees' performance at the workplace (Oyafunke et al., 2014). Culture can be one of the key foundations around which an organisation can build its competitive edge and which rivals can have trouble conquering. They found that there is a direct relationship between organisational culture and performance (Zakari et al., 2013). A successful business must have a strong culture that is capable of holding, attracting and rewarding employees for their performance and attaining the primary goals. A strong culture is distinguished by its dedication and effective cooperation within various departments to achieve common goals (Azadi et al., 2013). Furthermore, Deal and Kennedy (1982) recognised the significance of a strong culture's contribution towards effective financial performance.

Another view of corporate culture and performance association is the ability of culture to strategically adapt. Better culture adaptation means higher performance, while lower adaptability entails lower performance (Leskaj et al., 2013). Regarding high competition, Kotter and Heskett (1992) proposed that cultures characterized by rapid and a non-bureaucratic decision-making are more likely to enhance a firm's performance. With rapid globalization, the explosion of technology, aggressive new competition and shifting regulations as in the case of the banking industry in Egypt, companies are often forced to alter their strategies and reorganise subsequently to remain competitive. Therefore, to entirely implement a new strategy or to rebuild the organisation, it is critical to reshape culture as well (Childress, 2011).

A steady set of cultural values with a multi-level hierarchical structure is more likely to perform better in a static environment while it will not be appropriate in a very dynamic competitive business environment (Leskaj et al., 2013). Corporate culture has the full potential to improve a company's performance, personnel job satisfaction and guides employees' actions towards problem-solving. When corporate culture is inconsistent with the internal and external stakeholders' varying anticipations, it can threaten the effectiveness of the company. Organizational culture and performance are clearly related (Lunenburg, 2011). Neither shareholders nor creditors will keep on sinking additional funds into an enterprise that cannot convey satisfactory financial results. However, the achievement of financial performance by itself is not enough. Management must also consider the firm's strategic well-being, its ability to compete and its overall long-term business position (Zakari et al., 2013). A firm's performance must show a development of competitive strength and robust long-term market position otherwise its progress will be considered less than inspiring, and its ability to proceed good financial performance would be deemed questionable (Zakari et al., 2013).

Denison's (1990) study discovered that organisations with a participative culture realise a return on investment that almost averages double as high compared to those in companies with less efficient cultures. Denison's research of 34 large American companies provided evidence that corporate culture and behavioural issues are closely connected to both short-term and long-term survival. Denison and Mishra (1995) discovered that the relationship between corporate culture and performance is significant in a comprehensive study of 764 companies. Results of multiple studies suggested that organisational culture seems to produce a uniting power that improves and enhances organisational performance and affects both personnel behaviour as well as financial performance (Denison, 1990; Kotter and Heskett, 1992; Peters and Waterman, 1982).

Oyafunke et al. (2014) emphasised that culture is a lifestyle essential to the success of every organisation and in increasing the value of personnel. Peters and Waterman (1982) studied the most common characteristics of successful firms and discovered that sharing basic values is a condition for performance enhancement as it infers fewer coordination efforts. Not only does the culture environment offer guidelines for successful performance, additionally, it defines the social norms of acceptable behaviour. An organisation's culture shows the path through which strategies are outlined and establishes a set of beliefs and limitations as to how a group or an agent can act (Paquet, 2006).

Organizational culture was presented as an asset that could be managed to enhance business performance. It is possible that assessing and comprehending corporate culture could potentially be the best corporate leadership ability to influence performance of groups and individuals, facilitate performance and eventually, the ever-significant financial measures of business performance (Tharp, 2009). Corporate culture aids in creating a sense of ownership among individuals by stressing on practices such as involvement, adaptability, consistency, sense of mission and teamwork (Fey and Denison, 2003). Corporate culture improves corporate performance and results by making ideas of commitment and working efforts appealing to employees (Berson et al., 2008). CEOs manipulate culture to enhance efficiency by increasing employees' awareness and attention as well as prioritizing guidelines that direct and coordinate employees' behaviour towards attaining performance goals (O'Reilly and Chatman, 1996).

Transparency, accurate information and more communication channels, all made attainable by organisational culture, will assist in generating better productivity and performance defined as "the ability to transmit high-quality information effectively throughout the whole organisation". (Paquet, 2006, p. 16). This ability is further triggered by corporate culture which is a collection of shared ideas, mind sets, norms and values within an organisation (Paquet, 2006). The transparency of the work and decision-making of regulators and supervisors can add to the supervisory discipline which is strongly linked to effective supervisory outcomes (IMF, 2014). Therefore, transparency and accountability become compulsory for investors and capital fund attraction on the one hand and for stability and financial security on the other (Ghabayen, 2012).

A sound risk culture of a financial institution promotes transparency and open conversations within the board of directors and between (1) management and the board, and (2) employees and management at all levels and along all points in the process of developing, implementing, maintaining and marketing of a product, service or transaction, promoting identification and dealing with risk issues (FSB, 2014).

Hypothesis 1: Transparency is perceived to have a positive effect on performance.

Hypothesis 2: Accountability is perceived to have a positive effect on performance.

Corporate culture enhances performance within an organisation by improving control and coordination within the firm. Corporate culture helps employees interact and cooperate with each other. Without a control system, this will not be helpful to the organisation.

Further, corporate culture can improve employees' commitment to firms by maximising their bond with the firm (Zhao et al., 2018).

The consistency trait acts as the corporate's internal system and the core value of an organisation that supports problem-solving, effectiveness and efficiency at each and every level. Businesses are likely to be successful when they possess a robust culture that is well integrated, highly coordinated and consistent (Zakari et al., 2013). Behaviour refers to a group of core values that are entrenched within an organisation that allow leaders and followers to reach a compromise despite their different perspectives. This consistency is a result of sharing common ideas and achieving a high degree of agreement which act as an influential tool for internal integration and stability (Zakari et al., 2013). Corporate culture serves as a cohesive way of integrating the entire organisation together by providing guidance for the attitude, thoughts and behaviour of employees. Organizations also tend to be efficient because they have shared values that are consistently reliable, harmonised and integrated (Oyafunke et al., 2014).

Even though culture is considered a form of control (Owoyemi and Ekwoaba, 2014). Nurwati (2013) stated that control has a significant effect on culture, norms and values within the company. Accordingly, control can improve performance.

Hypothesis 3: Control is perceived to have a positive effect on performance.

Hypothesis 4: Coordination and integration are perceived to have a positive effect on performance

An organisational culture characterized by its adaptability to the external environment is likely to affect the firm's performance results positively (Yesil and Kaya, 2013). Companies flexible to external environmental changes are guided by their clients, take risks and learn from their mistakes and have both the ability and experience to make changes. They constantly alter the system to enhance the firm's capabilities and offer value to their clients (Fey and Denison, 2000).

Berson et al. (2008) proposed that one of the chief executive roles is the role of an entrepreneur who scans the entrepreneurship and its environment for growth opportunities, creates innovation and easily adapts to and facilitates change. Leaders shall assume the responsibility for failures, encourage learning and enable innovation and risk-taking (Berson et al., 2008). Sales growth is one of the most traditional indicators of innovative cultures and business performance, which shows the firm's efforts on invading new markets and risk-taking. Firms that stress on risk-taking activities encourage the exploitation of growth opportunities even at the cost of losing stability and steadiness (Berson et al., 2008).

Pande and Ansari (2014) advocate that sensitivity to the environment (showing the company's tendency to learn and adapt) in addition to cohesion and identity (features of a company's inherent ability to construct a community and a personality for itself) are traits that increase and extend the lives of organisations. According to Oyafunke et al. (2014), organisational culture plays a notable role in adapting to internal and external changes, increasing employees' value through management, organisational learning, knowledge and creativity and the urge to share knowledge and undertake risks.

Hypothesis 5: Adaptation to the environment is perceived to have a positive effect on performance.

Leadership plays is essential in controlling and shaping corporate culture (Berson et al., 2008). A bank's risk culture cannot be separated from its primary culture. Therefore, bank organisers should consider the importance of bank culture as it might influence bank risk (Song and Thakor, 2018). The tone at the top: senior management and board are the preliminary points for establishing the main values and anticipations of risk culture of a financial institution and their behaviour shall display the espoused values. An important value to be advocated is the anticipation that employees shall act with integrity (do the right thing) and instantly raise any non-compliance issues noticed within or outside the company. The leadership ought to evaluate, promote and monitor the financial organisation's risk culture, consider the influence of culture on safety and security and make changes where necessary (FSB, 2014).

The tone at the top has been regarded as the primary motive for ethical corporate conduct by many professional sources (Rockness and Rockness, 2005). Ethicists have always claimed that the tone at the top decides the organisation's corporate culture (Rockness and Rockness, 2005). Sweeney (2003) debated that corporate culture is determined by the tone at the top and leads to many unethical and fraudulence acts. "We have repeatedly learned over time: that financial fraud does not begin with corruption, your leader does not simply tell you, ' Let us do some financial fraud.' Fraud happens as a result of an infected culture with an uncontrollable virus that attacks the whole organisation" (Rockness and Rockness, 2005, p. 47).

"An organisational culture is what decides how employees are likely to behave unconsciously event they are out of sight" (Rockness and Rockness, 2005, p. 48). Furthermore, business ethics is not a collection of constraints and restrictions; instead, it is the driving force behind virtuous business behaviours and these virtues are social traits reflected in personnel's daily activities. Indeed, the personnel must adopt an organisation's culture to the maximum, and high-level management must deliver a well-defined message as well as provide direction to encourage employees to attain the firm's goals (Rehman, 2012).

Ethical management shapes the values by which the company operates (Kinsella and McNerney, 2005). Emphasizing the right tone at the top is an important step towards cultivating the business culture in banks. Similarly, attention should be given to improving the tone in the middle. Certainly, reinforcing integrity within financial organisations entails a culture that consistently rewards ethical and moral behaviours at all levels (IMF, 2014). The board of directors and executive management are the initial point in establishing the financial organization's core values and risk culture as well as showing these values in their behaviour (IRM, 2012). Moreover, it is crucial that the board and top management show their commitment to sound risk management and demonstrate high levels of integrity (walk the talk) because in the long run, their behaviours will be transferred to the entire organisation (FSB, 2014).

Hypothesis 6: Sound risk is perceived to have a positive effect on performance.

Hypothesis 7: Leadership and tone at the top are perceived to have a positive effect on performance.

Hypothesis 8: Ethics and integrity have a positive effect on performance.

Corporate culture can nurture a sense of commitment to the corporate's values and philosophy. This commitment creates a common feeling of excelling and working towards common objectives. Companies are likely to attain effectiveness merely when personnel share common values. Moreover, corporate culture acts as a control mechanism via norms that direct actions towards espoused behaviours and away from undesired ones (Rehman, 2012). The relationship between corporate culture and performance is affected by the degree of employees' involvement and their commitment (Berson et al., 2008) to financial performance goals (Denison and Mishra, 1995; Kotter and Heskett, 1992).

Hypothesis 9: Commitment is perceived to have a positive effect on performance.

To create a culture of challenge and open communication, channels are built to allow an effective communication and bring different visions together to the decision-making process as well as to provide regular training sessions about the organisation's desired conducts. The decision-making processes with wider interactions and procedures show an evidence of a corporate culture that is open to challenges (FSB, 2014).

Hypothesis 10: Communication is perceived to have a positive effect on performance.

Behavioural elements are enforced by an effective tone at the top and in the middle; proactive, transparent and open communications; encouragement of challenges of ideas and alternatives during the decision-making process, clear performance expectations in line with risk strategy, recognition of effective risk behaviours; and emphasis on continuous improvement and learning (Protiviti, 2012).

Metaphors and symbols, myths and stories, rituals and ceremonies, norms and principles of the games, the organisation's philosophy (beliefs and attitudes), declared and undeclared values, along with the deepest convictions, all these represent components of the organisational culture. However, none of these solely denotes organisational culture. All of these together reflect the notion of organisational culture (Ghinea and Bratianu, 2012). Initially, this organisational culture was regarded as a way of stressing integration and internal coordination. Its significance in an organisation's adaptations to environmental conditions was later recognised. However, organisational culture must be flexible in shaping the behavioural norms and patterns due to the continuous changes that need to be adjusted (Ghinea and Bratianu, 2012).

Just as tasks and authority are delegated to employees to speed up the decision-making process, new leaders must be appointed to bear future burdens and responsibilities to reduce the heavy burdens of the board members, allowing them to focus on important and key responsibilities. The researcher also adds that communication and exchange of views cannot be ignored as banks are integrated units, and the presence of the aforementioned dimensions can develop a strong organisational culture to help govern and achieve the organisation's goals. From the researcher’s point of view, these corporate culture variables will nurture governance culture among financial institutions promoting and enhancing the role of corporate governance as well as performance.

3.4 Corporate Governance and Performance

The characteristics of a board of directors (independence, size, frequency of meetings and CEO duality) are among several tools used to show the board's effectiveness in the controlling the function of management (Rachdi and Ameur, 2011; Ghofar and Islam, 2015).

3.4.1 Board of directors’ characteristics and performance

Corporate governance includes all the means through which members on the board and top managers assume all responsibility and are held accountable for their actions, the foundation and the implementation of supervision and monitoring functions (Ujunwa et al., 2013). The board is in charge of oversight functions of management on behalf of business owners. Agency scholars dispute that board members must adopt an effective monitoring role to secure shareholders' rights. It is believed that the performance of the board of directors such as monitoring responsibilities is determined by the board's effectiveness that is decided by aspects such as, frequency of meetings, board size, duality of the chief executive officer, board composition as well as board culture (Uadiale, 2010).

3.4.1.1 Frequency of meetings and performance

Different aspects might influence the way the board of directors operates such as the frequency of board meetings (Vafeas, 1999). While examining the board of directors' activities, De Andres and Vallelado (2008) found justifications both for and against the impact that frequent meetings have on performance. Regular meetings provide the opportunity for members on the board to come together and engage in open communication to share ideas about monitoring managers and setting bank strategies. Thus, the more frequent the board meetings, the more significant the advisory role, the greater the control over managers, and ultimately a positive impact on performance (proactive boards). Moreover, the complexity of banking operations and the significance of information both stresses the importance of the board's advisory role. Meanwhile, frequent board meetings could also be a consequence of poor performance (reactive boards) (De Andres and Vallelado, 2008).

De Andres and Vallelado (2008) obtained mixed results regarding the frequency of meetings. Therefore, frequent board meetings can allow more control and discussions and, with a proactive board, minimise problems or even eliminate them when used efficiently.

Theoretically, there seems to be a consensus that corporate board meetings play a significant role in the governance and performance of companies (Jensen, 1993; Lipton and Lorsch, 1992). Ntim and Osei (2011) propose a statistically positive association between frequent board meetings and performance, suggesting that boards that hold meetings more frequently are likely to achieve higher financial performance.

Hypothesis 11: There is a positive relationship between the frequency of meetings and performance.

3.4.1.2 Board size and performance

Boards' characteristics, including board size, have been widely addressed in either empirical or theoretical research. Yermack's (1996) study of 452 large American firms between the years 1984 and 1991 found that there is a negative relationship between board size and performance measures in Tobin's Q. Companies with smaller board size exhibit better financial ratios and company values (Yermack, 1996). Furthermore, Mak and Kusnadi (2005), utilizing Singaporean and Malaysian firms, discovered that there is a negative association between board size and corporate value. Additionally, Guest (2009) observed that board size had an inverse effect on profitability, Tobin's Q and share prices in UK.

Furthermore, smaller boards are more efficient than larger ones (Rachdi and Ameur, 2011). A small board size allows the board members to efficiently control and ensure all stakeholders' welfares, bring the decisions in line between managers and directors as well as minimise the costs of agency among board members. On the other hand, large boards find it difficult to arrange meetings, reach agreements and respond promptly due to the high costs of coordination and communication. According to a study on 69 boards of the largest banks in Italy, Spain, France, Canada, USA, and UK between the years 1995–2005, a small board size is more effective than a large one (Andres and Vallelado, 2008).

Generally, board size affects performance. Nevertheless, its effect relies on other corporate governance tools and contingency aspects such as the company's size, strategy as well as the business environment (Ghofar and Islam, 2015).

Very limited attention has been paid to the board of directors of banking firms (Belkheir, 2008). The most commonly shared opinion concerning the ideal size of a board is that the greater the number of members, the lower the performance. This is based on the notion that the coordination of tasks and communication as well as effective decision among a limited number of individuals is easier and less costly than in larger groups (Belkheir, 2008).

Lipton and Lorsch (1992) proposed that members on the board should be limited to a group of ten, suggesting an ideal board size of eight or nine. The studies of Yermack (1996), Guest (2009), Mak and Kusnadi (2005), Rachdi and Ameur (2011) and De Andres and Vallelado (2008) suggest that a smaller board size is more efficient than a larger board size. As the board size increases, conflicts of interests arise and it becomes more difficult for the CEO to resolve the same. Furthermore, the possibility of free-riding as well as communication hurdles also increases, which weakens firm performance and contradicts the agency theory (Shukeri et al., 2012).

A small board size seems to be appropriate for coordination and communication and consequently better performance.

Hypothesis 12: There is a negative relationship between board size and performance.

3.4.1.3 Board independence and performance

Academic research seems to be inclined towards recommending that boards' independence is responsible for a firm's high performance (Rachdi and Ameur, 2011). All codes of corporate governance suggest that an organisation's strategy should be determined by a supervisory board or board of directors with a certain degree of independence from management. Independence is attained by restricting the number of managers on the board and assigning a minimal number of external directors. For instance, the UK recommends that at least half of the board of directors of listed firms must be independent (Quiry et al., 2014). Quiry et al. (2014) proposed that investors are willing to pay more for shares in an organisation where a rigid corporate governance system is applied and in place. Banks in their advertisement use statements such as "we never forget whose money it is" (Bader, 2002, p. 2). Similarly, directors must remember that the corporation belongs to the owners, its shareholders and not the board or management. Therefore, the board must act with a certain degree of independence to ensure that stakeholders are well served by the management (Bader, 2002).

Fama and Jensen (1983) argued that independent external directors have a positive influence on effective management control. It is anticipated that monitoring roles of the board of directors are likely to minimise the agency problems between management and shareholders (Lefort and Urzua, 2008). Furthermore, boards that are independent would maintain a counterbalance to internal directors so that directors are unable to exploit their position by dismissing the interests of the shareholders (Yunos, 2011). Absence of board independence has been considered the main reason behind many corporate scandals, such as that of Enron. Therefore, it has become global wisdom that boards should primarily be controlled by independent directors (Ghofar and Islam, 2015).

According to Rebeiz (2018), an influential corporate governance depends on reducing agency costs via an independent board structure. Certainly, a least independent board is more exposed to disputes of interest and other forms of agency problems than a mostly independent board. When a company's agency costs are reduced, it is anticipated that a mostly independent board would lead the company towards more successful results. The significant functional prominence of board independence within the marketplace is proved by the evidence that it has turned to be a worldwide frequent theme in the codes of best practices and rules of effective corporate governance (Rebeiz, 2018). Settings that are shareholder driven are differentiated with the isolation of control and ownership such that the corporate governance model focuses on control mechanisms that could reduce the company's agency costs (Rebeiz, 2018).

Liang and Li (1999) conducted a study of 228 Chinese firms and found that the existence of external members on the board minimises agency costs through alignment of interests between management and shareholders. Lefort and Urzúa (2008) further supported these findings through a panel of 160 Chilean firms, confirming the notion that increasing the number of independent directors on the board improves and boosts a company's performance. Undertaking a study on a sample of 799 firms, Dahya et al. (2008) advocated this opinion through their study of 799 companies confirming that boards showing a high degree of independence ensure effective control and maximise the company's market value. Kor and Misangyi (2008) conducted an applied study on 78 companies between the years 1990–1995 which agreed and confirmed that the externals have master expertise and can have a positive impact on firm performance. Linck et al. (2008) acknowledged that external directors are less knowledgeable about the company than internals yet they can perform a more effective controlling function and can improve performance. Additionally, externals are best positioned to support the board with their skills and experiences transferred to the company.

Sarker and Sarker (2009) supported this idea through their study of 500 firms listed on India's Bombay Stock Exchange. They found that independent boards are more likely to create a greater value as independent directors can monitor governance better than insiders. Moreover, Schiehll and Bellavance (2009) found that more independent board members boosts the company's value. Moreover, it is assumed that a high proportion of independent members on the board will be beneficial and advantageous for the company due to better monitoring, broader experience and varied perceptions (Pearce and Zahra, 1992; Hermalin and Weisbach, 1988). Therefore, an independent board aims to protect the rights of the shareholders' minority (Darmadi, 2011).

Board independence is associated with lower risk. A board that is more independent might be better employed to supervise and control risk-taking. This is highly recommended when executive compensation gives managers incentives to take too much risk (IMF, 2014). It is believed that independent directors are likely to make better contribution in improving performance and increasing the value of a company (Ghofar and Islam, 2015).

The essence of the agency theory is that the board of directors is required to control and monitor the actions of members on the board to avoid any opportunistic conduct (Haniffa and Cooke, 2000). Moreover, Mangel and Singh (1993) believed that there is more potential for external directors to control as well as acquire a wider range of incentives, derived primarily from their duties as directors and supported by their equity position. Therefore, in order to improve the board's effectiveness, non-executive directors are perceived as the check and balance instrument (Haniffa and Cooke, 2000). Fama and Jensen (1983) and Pearce and Zahra (1992) regard the function of non-executive directors as controllers or monitors of the actions and performance of management.

Independent boards as representatives of shareholders would place greater emphasis on controlling and monitoring directors that could minimise their discretion. Uadiale's (2010) study found a positive relationship between external directors in the board and financial performance of the company.

The agency theory suggests that a greater number of independent directors can provide better control and monitor any opportunistic behaviours of management, consequently ensuring better performance and minimising the agency problem and maximising shareholders' wealth (Shukeri et al., 2012). Previous research has investigated the association between board composition and performance such as Rachdi and Ameur, (2011), Fama and Jensen (1983), Yunos (2011); Ghofar and Islam (2015), Liang and Li (1999), Lefort and Urzúa (2008); Dahya et al. (2008) and Kor and Misangyi (2008) and support the independence of the board.

Hypothesis 13: There is a positive relationship between board independence and performance.

3.4.1.4 CEO duality and performance

CEO duality refers to one individual occupying both positions as a company's Chairman and CEO (Moscu, 2013). This duality represents a problem because individuals responsible for the firm's performance are the same as those who evaluate its efficiency. This situation makes it difficult to evaluate the firm's performance objectively and might lead an underperformance of the company in the long run. Such an arrangement puts too much power in the hands of one executive and might lead to low performance (Moscu, 2013).

Fama and Jensen (1983) recommend that CEO duality might increase agency costs by hindering the ability of the board to monitor management, suggesting that the separation of the two positions will enhance company performance. The theory of agency favours the splitting of the CEO Chairman positions to avoid any bias on the part of the board when monitoring the CEO's actions which would enhance the firm's performance (Shleifer and Vishny, 1997).

Ethical behaviour as well as righteous business practices throughout a company's activities are what decide a great corporate governance and help gain confidence of investors (Ghofar and Islam, 2015). Business actors are persuaded that maximising a company's value is the optimal goal of an effective governance. Effective governance has several dimensions extending from its efficiency in producing the required rates of return for investors to assuring that directors do not exploit the investments of shareholders (Ghofar and Islam, 2015). The effectiveness of corporate governance should not be measured merely by its ability to oversee directors' behaviours; it should be measured by its ability to support strategic planning and implementation that can help achieve highest performance (Ghofar and Islam, 2015). Therefore, good corporate governance is not only about high financial performance but also about the achievement of high performance within the line of activities, purpose, vision and mission of an organisation (Iwu-Egwuonwu, 2010).

CEO duality can worsen the performance of a board since the board would be unable to dismissing an unsuccessful CEO who acts for their own benefits and in conflict with shareholders' interests, thus increasing agency costs (Al-Matari et al., 2012). Fama and Jensen (1983) also suggested that CEO duality contributes to the underperformance of the CEO as boards find it problematic and difficult to change or dismiss them.

Therefore, studies have confirmed that the separation of the two positions would achieve the required monitoring function to protect shareholders' rights. From researcher's opinion, excessive power and authority in the hands of one person could affect firm performance negatively. As one person is playing dual roles, it will be hard to remove the CEO due to board bias.

Hypothesis 14: There is a negative relationship between CEO duality and bank performance.

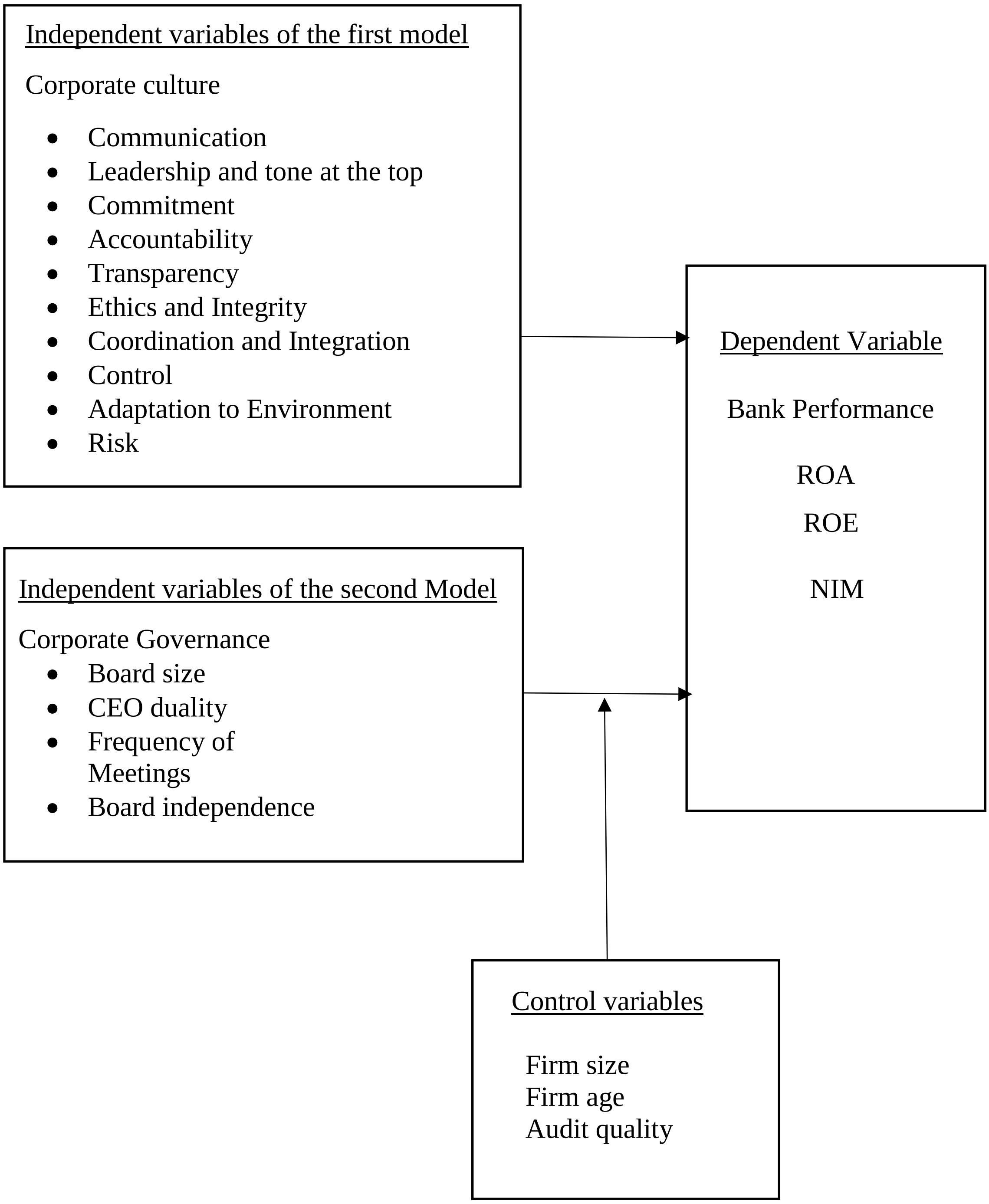
All these corporate culture variables, board size and independence, frequency of meetings, CEO duality and regulatory discipline have a vital influence on the governance framework at banks. Table 3.1 displays this research hypotheses.

Table 3.1: Research Hypotheses

Research Hypotheses	
H1	There is a positive relationship between Transparency and bank performance
H2	There is a positive relationship between Accountability and bank performance
H3	There is a positive relationship between Control and bank performance
H4	There is a positive relationship between Coordination and Integration and bank performance
H5	There is a positive relationship between Adaptation to environment and bank performance
H6	There is a positive relationship between sound Risk culture and bank performance
H7	There is a positive relationship between Leadership and Tone from the top and bank performance
H8	There is a positive relationship between Ethics and Integrity and bank performance
H9	There is a positive relationship between Commitment and bank performance
H10	There is a positive relationship between Communication and bank performance
H11	There is a positive relationship between Frequency of meetings and bank performance
H12	There is a negative relationship between Board size and bank performance
H13	There is a positive relationship between Board independence and bank performance
H14	There is a negative relationship between CEO duality and bank performance

3.5 The Conceptual Framework

Figure 3.1 The Conceptual Framework



3.6 Summary

In this chapter, the Egyptian context has been reviewed focusing on corporate governance development in Egypt and the literature gap related to the same in Egypt. Hypotheses were developed showing the relationship between the different variables involved in this study, and the conceptual framework of the study was illustrated. The following chapter will discuss the research design process, the research process used and reasoning behind the use, the study's variable definitions and how each variable is measured, data collection, sampling techniques, data sources as well as descriptive statistics and hypotheses testing.

Chapter Four: Research Methodology

4.1 Introduction

This chapter presents the research paradigm that guides the study, the research model, development of instruments and sample. In the first part, there is a discussion about the two main schools of thought, namely quantitative and qualitative approaches used most commonly among researchers and the justification for the study. Variable definitions and measurements as well as sampling and data collection, descriptive statistics and hypotheses testing are discussed.

4.2 Research Philosophy and Approach

"The main belief or perspective that directs the research" can be defined as a paradigm (Guba and Lincoln, 1994, p. 105). Originally, the word paradigm comes from the Greek term "paradeigma" which means pattern. This term was initially utilised to represent a theoretical framework shared among scientists to provide them with a convenient illustrative model to investigate research problems and find solutions (Kuhn, 1970).

Crotty (1998) mentioned that the researcher should answer the following questions:

- What epistemology informs the theoretical perspective?
- What theoretical perspective lies behind the methodology in question?
- What methodology governs the researcher's choice and use of methods?
- What methods does the researcher propose to use?

Epistemology addresses how we get to know what we know (Crotty, 1998; Daniel, 2016), whereas methodology specifies the practices particularly applied to gain this knowledge (Krauss, 2005). The epistemological perspective details that everything that occurs has meaningful facts residing in it as entities and that cautious scientific research aims to reach the objective meaning and truth; this is known as objectivism. The epistemology underpinning the positivist stance is objectivism. Positivist research often employs surveys and quantitative techniques of statistical analysis (Williams, 2007). Positivistic scholars embrace scientific techniques and structure the knowledge development procedure with the aid of quantification to improve accuracy in the explanation of parameters and the association between them. Positivism entails revealing and showing facts through empirical means (Antwi and Hamza, 2015).

Qualitative, quantitative and mixed methods are the three common methodologies to conducting research (Williams, 2007; Haq, 2014; Daniel, 2016). The positivist research paradigm supports quantitative methodology, by measuring variables and examining theories associated with general causal explanations (Marczyk et al., 2005; Denzin and Lincoln, 2008). Methods of data collection involve the collection of numerical data to allow quantitative display of evidence (Neuman, 2014; Apuke, 2017). In terms of methodology, the reality in positivist inquiry is attainable through confirmation and repetition of noticeable conclusions as well as statistical analysis (Kim, 2003). Thus, positivists emphasize the utilization of reliable and valid techniques to define and explain procedures (Antwi and Hamza, 2015).

On the other hand, the interpretivist epistemology supports qualitative methodology (Crotty, 1998). This assumes that meaning resides in the experiences of participants which is interpreted via the researcher's own views (Antwi and Hamza, 2015). However, quantitative researchers are criticized for missing the opportunity of investigating a phenomenon as outsiders (Mays and Pope, 1995). Qualitative scholars deem that the ideal means to comprehend a phenomenon is to get immersed in the culture being studied (Mohajan, 2018) to observe its members and their interactions, engage in activities, conduct interviews with key individuals, consider life histories, structure case studies and interpret documents (Antwi and Hamza, 2015).

Bryman (2016) proposed that the chief difference between quantitative and qualitative research perceptions is actually a technical issue; the selection between them is based on their fitness to answer specific research questions. Quantitative research is deductive while qualitative research is inductive (Williams, 2007).

Researchers utilise theories deductively in quantitative studies and apply them at the beginning of the research plan. This is to confirming or test a theory and not to develop a new one. The scholar introduces a theory, gathers data to examine and displays results that verify or disconfirm a theory (Creswell, 2000). Therefore, the theory outlines the entire study (Leedy and Ormrod, 2013), a model that organises research questions, hypothesis and the process of data gathering (Creswell, 2003). The quantitative methodology primarily follows the empirical method as it focuses on testing theories as well as testing hypotheses. Quantitative scholars assume that mentioning research hypotheses and subsequently examining the hypotheses using empirical data to test if they are confirmed or not is crucial (Johnson and Onwuegbuzie, 2004).

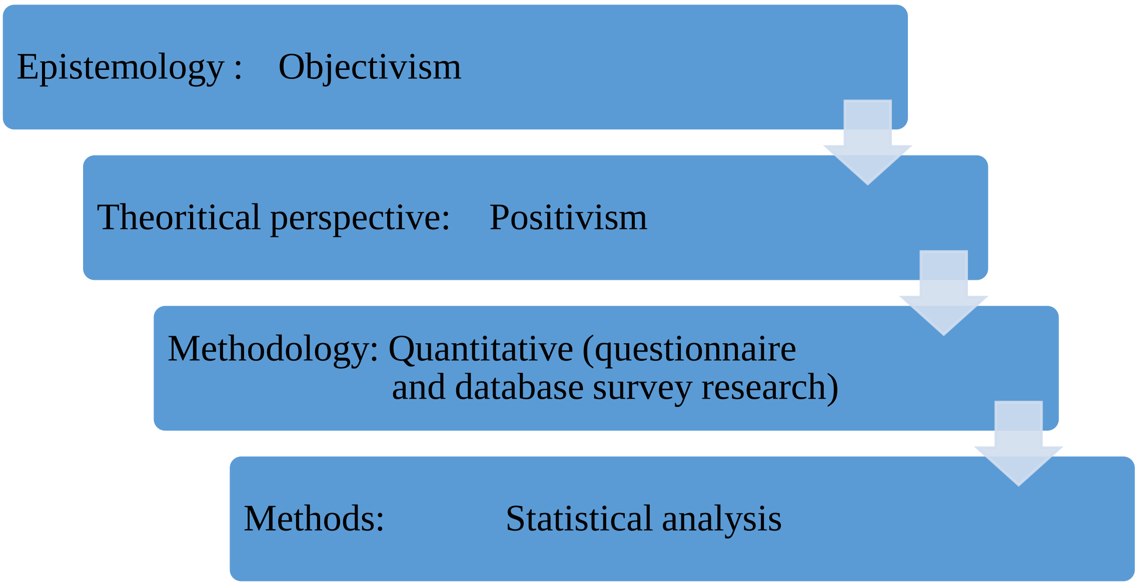
Qualitative research mainly follows the exploratory scientific method and is utilised when the researcher knows nothing or little about a phenomenon or topic and needs to explore, learn more about it or study it (Cronholm and Hjalmarsson, 2011; Leedy and Ormrod, 2013). It is generally utilised to comprehend individuals' experiences and to express their views (Johnson and Onwuegbuzie, 2004). In qualitative methodology, a theory is not required to start a research; instead, inductive data analysis is used (Mason, 2017) to understand whether the context being studied reveals the lives as well as participants' perspectives and to get better knowledge about mutually influential interactions to explain interrelating truths and reflect both the researcher's and candidates' experiences (Agee, 2009).

On the other hand, in a quantitative study, there must be a hypothesis before starting a research. Measurements are mainly summarized by figures under quantitative study. For instance, attitudes and behaviours are typically measured through surveys employing rating scales (Apuke, 2017). The questionnaire or interviewer asks a question or issues a statement which respondents are required to answer with one of the available responses. When all answers have been given by respondents, the researcher usually computes and records an average for the group of candidates (Johnson and Christensen, 2012). Academic scholars working from this view quantitatively define how events are shaped, variables are interrelated and reasons justified for the results. These explanations are mostly developed and examined in experimental research. Application of a multivariate analysis and methods for statistical analysis and expectancy are common instruments that contribute to such studies (Denzin and Lincoln, 2008).

On the other hand, in a qualitative study, academic scholars do not generally gather data in the form of figures (Walia, 2015). Instead, observations and unstructured interviews are conducted such that the data are generally in the form of texts or words (Walia, 2015; Mohajan, 2018). According to Ulin et al. (2005), the qualitative study approach usually depends on contacts between the applicants under study and the researcher over a period of time. Establishing relations and interactions with applicants under investigation leads to a more profound understanding of the context being studied, gives depth and enriches data (Agee, 2009). Hence, qualitative studies are inductive, i. e. they are primarily concerned with exploration and valid processes, more deep understanding of the research problem in its distinctive settings while less concerned with generalization (Ulin et al., 2005). Accordingly, the most commonly utilised methods of data collection for studies under qualitative research approach are interviews, focus group discussions and naturalistic observations (Daniel, 2016). On the other hand, the focus of positivist researchers is on interpreting attitudes and behaviours using quantifiable data by employing tools such as surveys, questionnaires and psychological investigations with accurately worded questions (Antwi and Hamza, 2015). The most commonly used sampling technique in the quantitative research method is random sampling (Haq, 2014).

Therefore, qualitative and quantitative research differ in their data gathering procedures, presentation and analysis. While quantitative research displays statistical outcomes shown by figures or statistical data, qualitative research shows data with words as descriptive narratives and attempts to comprehend the underlying phenomena in its normal settings. "This implies that qualitative academic scholars investigate phenomena in their natural context, trying to understand, explain or make sense of the meanings provided by applicants" (Antwi and Hamza, 2015, p. 221; Daniel, 2016; Walia, 2015). Quantitative studies use surveys, questionnaires and investigations to collect data and place it in tables in the form of figures, permitting the usage of statistical methods for data analysis (Haq, 2014). Quantitative studies measure and show the association between variables utilizing statistical techniques such as correlations, relative frequencies or differences between means; they are mainly concerned with examining a theory (Daniel, 2016).

Figure 4.1 The research methodology of the study



4.3 Research Question

What is the impact of corporate culture and corporate governance on performance of banks in Egypt?

4.4 Research Objectives

1. Undertaking a critical literature review of corporate culture, corporate governance and financial performance; identifying corporate culture variables that could lead to effective corporate governance and performance based on literature. Identifying board of directors' characteristics.
2. Exploring the importance of the identified corporate culture variables using the Delphi technique
3. Measuring corporate culture among banks in Egypt through questionnaires
4. Measuring corporate governance and performance among banks in Egypt through secondary data collection
5. Developing a multiple regression model of the relationship between corporate culture and performance; developing a multiple regression model of the relationship between corporate governance and performance.

4.5 Justification of the Study

A Delphi-technique questionnaire survey was conducted to explore the importance of cultural attributes that lead to effective governance and performance within the Egyptian banking environment and the results were analysed quantitatively. The Delphi technique is typically used as a quantitative technique (Skulmoski et al., 2007). This led to the next objective, which is measuring corporate culture among banks in Egypt through questionnaire. This was achieved through a questionnaire employed to measure the cultural variables. This questionnaire was analysed quantitatively using the SPSS software. Thereafter, secondary data was collected to meet the fourth objective; board characteristics are represented as board size, board independence, frequency of meetings and CEO duality, while banks' performance is measured through three ratios: ROA, ROE and NIM. Thereafter, the last objective was to examine the impact of corporate culture and governance on bank performance through a multiple regression model that will be developed.

Therefore, this study follows a positivist approach, objectivism epistemology and quantitative methodology. This study is deductive since it introduces hypotheses and tests a theory rather than creating a new theory. This study aims to examine the impact of corporate culture and corporate governance on performance within banks in Egypt where all variables under investigation are measurable and observable; a questionnaire survey was used and secondary data was collected; equations and statistical methods were applied.

4.6 Research Design Overview

This section presents the research design adopted for this study. The independent variables (corporate culture and corporate governance), the dependent variables (performance in banks) and the control variables' definitions and measurements, the sampling techniques and the data collection methods are also discussed.

4.6.1 Variable definitions

The organisational culture is the first independent variable reflected by ten sub-variables, namely Leadership and Tone at the top, Risk, Commitment, Ethics and Integrity, Communication, Accountability, Transparency, Coordination and Integration, Adaptation to environment and Control. The combination of these attributes in the organisational culture developed by this study has been derived from the literature review: Odom et al. (1990); Zakari et al. (2013); Rockness and Rockness (2005); Kinsella and Mc Nerney (2005); Oyafunke et al. (2014); Fey and Dennison (2000); Berson et al. (2008); Arjoon (2006); Bader (2002); IMF (2014); Guiso et al. (2013); FSB (2014); Krivkovich and Levy (2013); Sims and Brinkmann (2003) and IRM (2012).

The second independent variable is corporate governance reflected by four sub-variables using the agency theory: Board independence, Frequency of meetings, Board size and CEO duality. The dependent variable (bank performance) was measured using ROA, ROE and NIM. All variables have been discussed in the following section.

These variables were developed from the following studies: Horvath and Spirollari (2012); Pathan and Skully (2010); Gabayen (2012); Johl et al. (2015); Kiel and Nicholson (2003); Larmou and Vafeas (2009); Liang and Li (1999); Linck et al. (2007); Ntim and Osei (2011); Uadiale (2010).

4.6.1.1 Independent variables

I) Corporate Culture

This section defines the corporate culture variables that can lead to higher performance in banks with respect to effective governance as well as definitions of board characteristics, namely board size, frequency of meetings, CEO duality and board independence.

•Leadership and tone at the top:

> A leader is a person or more individuals who appoint, train, prepare and have control over followers who possess various skills, talents, abilities and direct these followers towards the mission, vision and goals of a corporation which enable followers to devote their emotional, spiritual and physical efforts actively in an intensive coordinated way to accomplish these goals and missions (Winston and Patterson, 2006, p. 7).

•Risk culture: "The beliefs, values, knowledge of an organisation as well as providing awareness about risk and uncertainty shared by a teamwork or a group of employees who have a common purpose, within an organisation" (IRM, 2012, p. 7).

•Commitment: "Psychological bond between employees and the organisation which involves a sense of involvement, loyalty, devotion and acceptance of the organisational values" (Manetje and Martins, 2009, p. 92)

•Ethics and Integrity: they refer to ethical behaviour defined as moral conducts accepted and regarded as proper and virtuous in contrast to corrupt or immoral behaviours practiced in a given situation (Mihelic et al., 2010)

•Communication: "Is the process of transmitting information and common understanding from one person to another" (Lunenberg, 2010, p. 1).

•Accountability: employees understand and accept the core values of the institution and are conscious of being responsible for their practices (FSB, 2014).

•Transparency indicates free flow of information and disclosure of details and intentions behind the decision-making process (Sison, 2000).

•Adaptation to the environment is the firm's competence to scan the external environment for opportunities and react to its clients' and other stakeholders' changing needs. Companies embrace a beliefs and norms system that supports their ability to receive, interpret and translate data in a given environment into internal behaviours to maximise a firm's probability of growth and survival (Zakari et al., 2013).

•Control: "The ability to obtain desired work behaviours from workers" (Grugulis, 2000, p. 99)

•Coordination and integration: the organisation's various departments, activities and roles operate well together to accomplish shared goals. Boundaries within the organisation do not hinder work from being done (Davidson et al., 2007).

These corporate cultural variables will be measured using a questionnaire survey as mentioned previously.

II) Corporate Governance

Board independence

Board independence is defined as the ratio of outside directors to the total number of directors on the board, thus marking the difference between executive and non-executive directors (Haniffa and Cooke, 2000). The board of directors involves two types of members: executives and non-executives (Pass, 2004). Executive directors are responsible for setting the company's strategic objectives, providing leadership and supervising business management. Non-executives are appointed on a part-time basis; they are the guardians of the business and act as a defence between executive directors and shareholders to ensure that the company is working in the best interest of both shareholders and other stakeholders (Pass, 2004). The term independent director generally refers to non-executive directors who do not have economic ties with the firm and its management. When non-executive directors have such ties, they are classified as non-independent, which means that a director might be a non-executive director but not necessarily an independent director (Hsu and Wu, 2014).

Independent directors are members on the board who represent and are trusted by shareholders and help mitigate agency problems. The non-executive directors on the board will not effectively perform their duties and responsibilities unless they are independent from management to ensure unbiased actions and decisions (Fuzi et al., 2016). The directors' independence improves their monitoring function of management and improves the board's effectiveness. They are not only responsible for shareholders but also the rights of other stakeholders (Bansal et al., 2018).

Following previous studies such as Mak and Kusnadi (2005); Uadiale (2010); Lefort and Urzua (2008); De Andres and Vallelado (2008); Johl et al. (2015); Ghabayen (2012); Horvath and Spirollari (2012), this research measures board independence as the proportion of independent directors over the total number of directors on the board.

The frequency of meetings

This refers to the number of regular meetings held by the board of directors during the year (Johl et al., 2015). Based on Johl et al. (2015); Horvath and Spirollari (2012), Bathula

(2008); Ntim and Osei (2011); Sobhy et al. (2017), the frequency of meetings will be measured as the number of regular meetings held by the board in a year.

Board size

This refers to the number of directors serving on the board (Ghabayen, 2012). Based on Mak and Kusnadi (2005); Uadiale (2010); Johl et al. (2015); Alsahafi et al. (2015); Adams and Mehran (2005); Bathula (2008); De Andres and Vallelado (2008); Bebeji et al. (2015) and Belkheir (2008), board size in this research will be measured as the total numbers of directors on the board.

CEO duality

CEO duality means that the position of the CEO and the Chairman of the board are held by the same individual (Moscu, 2013). Following Mak and Kusnadi (2005); Uadiale (2010); Alsahafi et al. (2015); Gani and Jermias (2006); Kiel and Nicholson (2003); Sobhy et al. (2017) and Taskin (2012), this study will measure CEO duality by assigning a value of 1 when the CEO and Chairman are the same person and a value of 0 when they are not the same person.

4.6.1.2 Dependent variables

A variety of performance measures have been used in the banking sector such as ROA (Alsahafi et al., 2015; De Andres and Vallelado, 2008; Bebeji et al., 2008), ROE (Alsahafi et al., 2015; Rachdi and Ameur, 2011; Uwuigbe and Fakile, 2012; Bebeji et al., 2008), Tobin's Q (De Andres and Vallelado, 2008; Alsahafi et al., 2015; Belkhir, 2008) and shareholder market return (De Andres and Vallelado, 2008). Sobhy et al. (2017) and Taskin (2012) use three measures of financial performance in the banking industry which are ROA, ROE and NIM.

Performance measurement systems were developed for monitoring and maintaining organisational control, which is the process of ensuring that an organisation aims at strategies that lead to the achievement of its overall goals and objectives. Performance measures, the key tools for performance measurement systems, are vital in every organisation as they are often viewed as forward-looking indicators that assist the management in predicting economic performance and often reveal the need for possible changes in operations (Maditinos et al., 2006). Moreover, while firm performance has been measured using a wide range of measures, there is no universal appropriate choice (Masa'deh et al., 2015).

Although market-based default metrics are very popular, practical evidence suggests that accounting information is potentially significant in predicting distress. For instance, the case of Enron stresses the possible consequences of relying entirely on market information. Accounting data shows an advantage over market data since it can be employed to quantify credit risks for corporations that do not have traded equity or are infrequently traded (Das et al., 2008).

Strong governance can reduce Tobin's Q by alleviating underinvestment. Moreover, strong governance can also increase Tobin's Q by improving cost discipline. Therefore, the net impact of governance on Tobin's Q is vague as it relies on the relative importance of scale decisions versus cost discipline. Particularly, firms associated with stronger governance display better operating efficiency. However, better operating efficiency lowers Tobin's Q (Dybvig and Warachka, 2015).

However, no single measure of performance could fully account for all the aspects of firm performance. Researchers measure performance objectively and/or subjectively such that objective measurements depend upon profit and financial data (Dybvig and Warachka, 2015).

Accounting-based measures of performance show the results of management actions and are thus favoured over market-based measures when the association between corporate governance and performance is investigated (Al Matari et al., 2014). Net interest margin is one of the 10 key performance indicators used by firms to benchmark their performance (Masa'deh et al., 2015).

The researcher relied primarily on accounting measures published on Bankscope. The researcher encountered difficulty in accessing market measures such as Tobin's Q. This is because not all banks are registered in the stock exchange and thus finding data was challenging.

According to previous studies, this research will include three measures of financial performance in banks which are: ROA, ROE and NIM.

Return on Assets

ROA measures the profits earned for each dollar of assets and shows how effectively a bank's management uses bank's resources in profitable investments. It measures the bank's management capability to generate profits through the usage of bank's assets. Simply, it illustrates how the bank's assets are managed efficiently to generate profits (Ongore and Kusa, 2013). ROA is calculated by dividing net profit over total assets (Naceur, 2003; Dogan and Yildiz, 2013). The greater the ROA, the more efficient the use of bank resources (Ongore and Kusa, 2013).

Return on Equity

ROE measures how successful a firm is in using shareholders' equity. It shows the rate of return earned on the investments made by the bank's shareholders. ROE illustrates how successfully the management of a bank uses owners' investments. Hence, it can be concluded that the better the ROE, the more effective the management in utilising the shareholders' capital (Ongore and Kusa, 2013). The ROE is calculated as net income to total equity (Alsahafi et al., 2015; Dogan and Yildiz, 2013).

Net Interest Margin

NIM emphasises income gained from interest operations. It defines the gap between the interest income received by the bank on loans and securities and the interest cost of borrowings. Furthermore, it shows the cost of intermediation services and efficiency of the bank. The higher the NIM, the higher the income and the more the bank's stability. Therefore, it is one of the most important measures of bank profitability (Ongore and Kusa, 2013). It is measured as interest income divided by total assets (Naceur, 2003).

4.6.1.3 Control Variables

Bank size

Bank size refers to the total assets at the end of each fiscal year (Rachdi and Ameur, 2011). It will be measured as the log of total assets (Alsahafi et al., 2015; Gani and Jermias, 2006; Bathula, 2008).

Bank age

Age is the length of time an entity has been existing or the number of years the company has been founded (Ilaboya and Ohiokha, 2016). Like humans and plants, organisations have a life cycle, times of growth and financial strength and times of obsolescence. There is a debate that this obsolescence is attributed to organisational aging and the incapability to cope with the external environment. On the other hand, it is also regarded that as the firm grows, it is more likely to become more efficient due to its learning experience (Ilaboya and Ohiokha, 2016). According to this debate, the researcher will include the bank age as a control variable. It is measured by the difference in time period between the year banks were founded till the current year (Bathula, 2008; Dogan and Yildiz, 2013). In this study, it will be measured by the number of years since the bank was established till 2014.

Audit quality

The quality of audit services plays a vital role in mitigating information asymmetry and agency problems that exist within organisations. The audit quality is an important element of corporate governance through which shareholders aim to maximise their ROIs while managers are more concerned with their own well-being at the cost of shareholders' interests. Therefore, external auditors can participate in reducing agency problems between managers and shareholders (Fooladi and Abdul Shukor, 2012). The big four audit firms provide higher quality audit performance and have a high authority to discover opportunistic behaviours so managers will be enforced to be more accountable (Fooladi and Abdul Shukor, 2012).

Audit quality was determined by the audit firm's size that is whether they are one of the Big Four or not. Big audit firms are considered to possess quality audit services than other smaller audit firms (Soliman and Abd Elsalam, 2012). The audit quality will have a value of 1 if the auditor firm is one of the Big Four audit firms otherwise zero (Soliman and Abd Elsalam, 2012). Audit quality is one of the control variables in this study.

Table 4.1: Variable measurement

Independent variables	**Measurement**	**References**
Corporate culture		
Leadership and tone at the top	Questionnaire	Badawy (1999) and GRN (2014)
Risk	Questionnaire	Watson (2011) and Badawy (1999)
Commitment	Questionnaire	Cameron and Quinn (2006); Badawy (1999)
Ethics and Integrity	Questionnaire	Basran (2012)
Communication	Questionnaire	Badawy (1999)
Accountability	Questionnaire	Badawy (1999)
Transparency	Questionnaire	GRN (2014)
Adaptation to environment	Questionnaire	Badawy (1999); Sashkin and Rosenbach (1996)
Control	Questionnaire	Badawy (1999)
Coordination and Integration	Questionnaire	Denison and Neale (1996)

Corporate Governance		
Board Independence	The proportion of independent directors over the total number of directors on the board	Mak and Kusnadi (2005); Uadiale (2010); Lefort and Urzua (2008); De Andres and Vallelado (2008); Johl et al. (2015); Ghabayen (2012); Horvath and Spirollari (2012)
Frequency of Meetings	The number of regular meetings held by the board during the year.	Johl et al. (2015); Horvath and Spirollari (2012); Bathula (2008); Ntim and Osei (2011); Sobhy et al. (2017)
Board Size	The total numbers of directors on the board	Mak and Kusnadi (2005); Uadiale (2010); Johl et al. (2015); Alsahafi et al. (2015); Adams and Mehran (2005); Bathula (2008); De Andres and Vallelado (2008); Bebeji et al. (2015) and Belkheir (2008)
CEO Duality	CEO and Chairman are the same person=1, otherwise=0	Mak and Kusnadi (2005); Uadiale (2010) and Alsahafi et al. (2015); Gani and Jermias (2006); Kiel and Nicholson (2003); Sobhy et al. (2017); Taskin (2012)
Dependent variables (Performance)	**Measurement**	**References**
Return on Assets (ROA)	Measured as percentage of net income to total assets	Rachdi and Ameur (2011); Naceur (2003); Sobhy et al. (2017); Taskin (2012)
Return on Equity (ROE)	Measured as percentage of net income to total equity	Racdi and Ameur (2011); Taskin (2012); Sobhy et al. (2017)

Net Interest Margin (NIM)	Net interest income as a percent of investment securities and loans.	Naceur (2003); Taskin (2012); Sobhy et al. (2017)
Control variables	**Measurement**	**References**
Bank Size	Log of total assets	Alsahafi et al. (2015)
Bank Age	The difference in time period between the year banks were founded and year 2014	Dogan and Yildiz (2013)
Audit quality	Audit quality is 1 if the information from banks' audited reports show that it is audited by one of the Big Four audit firms, otherwise 0	Soliman and Abd Elsalam (2012)

4.7 Primary Data

Objectives 2 and 3 have been covered through primary data collection.

4.7.1 Gaining ethics approval for the primary research

Before going through primary data collection, researchers are obliged to cautiously consider all ethical issues of their study interventions throughout the data collection process, the responsibilities and rights of the various groups involved under investigation and any types of harm or risk issues that might arise (Hammersley and Atkinson, 2003). There are different concerns that must be considered such as power issues, political issues and health and safety of both the potential applicants and the researcher (Potter, 2006).

The researcher ensured high level of ethics and proficiency in designing and conducting the study. Throughout the process, the types of sampling used will ensure that there is no discrimination against age, gender, race, disability etc. No one under the age of 18 was included in the study at any point. All participants were informed that they have the full right to withdraw from the research without any consequences or without having to provide a reason. Participants' anonymity was respected at all times throughout the research process. The participant will not be identifiable from any of information. To maintain confidentiality, only the researcher has access to the information gathered from the questionnaire. In order to attain the research objectives, the researcher had to fulfil the ethical approval requirements to begin the data collection process. Ethical Approval letters are attached in Appendix A and Appendix B

4.7.1.1 Primary data collection sequence and time frame

Table 4.2: Primary data collection sequence and time frame

Primary data collection	Start date	End date
Delphi technique first round	17/5/2017	17/10/2017
Delphi technique second round	10/11/2017	8/4/2018
Questionnaire collection	4/5/2018	20/8/2018

4.7.2 Objective 2: Exploring the importance of the identified corporate culture variables using Delphi technique

To cover the second objective, a Delphi technique was applied. The use of Delphi technique can assist in collecting reliable and valid data related to research questions and objectives. This technique can be very helpful to explore any phenomenon and to pursue new insights (Saunders et al., 2009). The researcher selected the Delphi technique to improve the researcher's lack of understanding concerning the corporate cultural aspects within the Egyptian context and to identify the importance of corporate culture variables that lead to effective governance and performance.

The Delphi method is preferred as a policy-making or a problem-solving tool when there is insufficient knowledge about a problem or awareness about a phenomenon is limited; it is utilised to acquire and gain the most reliable opinions (Giannarou and Zervas, 2014). Therefore, the Delphi technique is utilised when no adequate or needed information is available to predict and project tasks (Giannarou and Zervas, 2014).

The Delphi technique aims to reach a consensus through a group of experts' opinions using a series of structured questionnaires (referred to as rounds). Those experts complete the surveys anonymously (Hasson et al., 2000). Most commonly, the first round is structured to make the application of procedure simpler for the researcher and panellists (Rowe and Wright, 1999). In round 1 of the Delphi technique, a structured questionnaire based on an extensive literature review is most commonly accepted and used (Hsu and Sandford, 2007).

A Delphi is an iterative process involving a series of questionnaires, each depending on the results of the previous one. Descriptive statistics such as the mode, mean and standard deviation results of each round are compiled and shared among panellists who review and adjust their responses if needed (Sandrey and Bulger, 2008).

The literature indicates that the actual number of iterations differs considerably from as less as two to as much as ten (Horan, 2010). Hasson et al. (2000) recommend that between two and three rounds are favoured as more rounds create boredom and hindrance leading to attrition of panellists, which decreases their response rate (Rowe and Wright, 1999). Eventually, the type of data to be collected at different phases of the process (Horan, 2010) as well as the nature of the research questions under investigation determine the number of required rounds (De Meyrick, 2003).

The Delphi method is extensively preferred to attain consensus on an area where there is an obvious lack of agreement or incomplete knowledge. Its application is primarily based on anonymity which removes many communication hurdles associated with face-to-face meetings, for instance, political issues, organisational hierarchy, presentation skills and personal conflicts (Sandrey and Bulger, 2008). This anonymity of panellists increases the probability that opinions are considered in and of themselves without being influenced by others' opinions (Somerville, 2008).

Repeatability permits panellists to change their opinions based on the findings of the group in the next round, controlled feedback provides feedback to panellists about the views of other experts and gives a chance to clarify and change their opinion and statistical loading of group responses permits quantitative analysis and explanation of data (Szpilko, 2014).

4.7.2.1 Pilot Delphi

A pilot study was conducted by the researcher to guarantee that the designed questionnaire was comprehended by the applicants, specific and to the point. The questionnaire was given to four candidates of the participating banks. The applicants were required to comment on the questionnaires to improve its quality. There were some recommendations regarding the clarification of some points.

The results from the pilot study indicated that the design of the Delphi study was suitable and the technique was appropriate to attain the research purpose. Thus, the Delphi technique was prepared to be applied with a few minor changes.

4.7.2.2 Panel selection and sampling

As experts' opinions are required, there is a need for purposive sampling in which candidates are not selected to show the general population. Instead experts' knowledge is required to answer the questionnaire and the snowball sampling method might also be used to select subsequent applicants (Suter, 2011; Tongco, 2007).

There are many differing views regarding the optimal size of a Delphi panel. The literature proposes that the panel of experts should comprise 10 members at least and little enhancement in results is anticipated when the panel involves more than 25–30 individuals (Sandrey and Bulger, 2008). However, typically, the size of the panel varies between 7 and 35 participants (Day and Bobeva, 2005). Czinkota and Ronkainen (1997) argued that the size of a panel exceeding 30 members rarely reveals new insights.

This study used the Delphi technique to reach consensus on the corporate culture attributes that contribute to effective governance and performance within the banking industry. The procedures for this technique began with the identification of panellists to be included in this study. The experts who participated had experience of than 10-15 years in the banking sector. They had the required knowledge to participate based on snowballing sampling.

The next stage involved getting expert contacts and e-mails; 112 individuals were identified from the trade union. The researcher could only get the contact details of 64 individuals. Out of the 64 individuals, 25 did not respond and 8 refused to participate.

4.7.2.3 Modes of interaction

Researchers have several means of available Delphi technique interactions. Initially, the Delphi questionnaires were usually based on pen and paper and were returned to the researcher via mail. However, with the emergence of e-mails and personal computer networks, several facilities have become available to both Delphi technique applicants and the researcher. The most important advantage of emails is the convenience that this interaction mode offers (Skulmoski et al., 2007).

The researcher decided to carry out the Delphi study through e-mails. Subsequently, the researcher sent e-mails to qualified applicants, inviting them to participate in the study. A copy of this invitation is attached in Appendix A.

The invitation introduced and clarified the research purpose and provided the research framework as well as notified potential applicants about the nature of the Delphi technique (Mehr and Neuman, 1970), comprising a minimum of two to three rounds of questionnaires (Horan, 2010) and that the participants shall remain anonymous. Applicants were further informed about the rationale behind being selected to participate in this Delphi study.

4.7.2.4 The Delphi technique process and data collection

Deciding on the importance of corporate culture dimensions was difficult. Therefore, the researcher invited a panel of experts with the required experience and knowledge in this area, through a Delphi study, to make the decision. The primary purpose of this stage was to identify the importance of corporate culture attributes and their ranking with respect to their significance. The questionnaire was very specific and precise to encourage participation. Data was gathered through iterations of questionnaires sent to panellists. After two rounds, the panel of experts were able to reach an agreement.

Delphi technique – Round 1

The first round of the Delphi study included a questionnaire survey. Given the 10 corporate culture variables derived from the literature review, each participant was asked to rate about the degree of importance of each corporate culture attribute with respect to effective governance and performance in the banking sector through a 5 point-Likert scale from very important to very unimportant. The respondents’ answers frequencies were counted and percentages were given for each answer. Out of the 31 individuals, only 24 participants responded to the first round.

Round 2

Participants' responses were sent along with the results from round 1. Applicants were given the choice to change their responses if necessary and were then asked to rank the 10 corporate culture attributes previously mentioned in round 1 according to their importance from 1 to 10 where 1 is most important and 10 is least important. Only 19 participants responded to the second round. Frequencies were calculated and results were forwarded to the participants.

Finally, participants were required to review the group consensus. Results were shared with the panel of experts; all the participants responded with no changes where they reached consensus. Anonymous and consecutive questionnaires were utilised on purpose to encourage participation and inclusion of all panellists.

4.7.3 Objective 3: Measuring corporate culture among banks in Egypt through questionnaire

4.7.3.1 Pilot study

This research used a questionnaire as a method of data collection. As a tool of primary data collection, a questionnaire has to be verified and approved before starting the survey. A pilot study was performed to confirm that the structured questionnaire is comprehended well by the candidates and that all questions are clear, and do not have more than one meaning that might be understood differently by each member. The researcher also needed to check that there were no mistakes or no confusing questions that might mislead candidates. Pilot testing is crucial as it determines the effectiveness and validity of the research design. It is also helpful in identifying any mistakes that could lead to misunderstandings and mislead the participant while answering. Thus, a pilot study is crucial as it leads to a more precise and efficient questionnaire (Cutajar, 2013). The primary aim of the pilot study was to test the Likert scale, whether the questionnaire targets each variable correctly or not and whether the questionnaire covers all the relevant points.

For a pilot survey research, Hill (1998) recommended ten to thirty members. Hertzog (2008) made different suggestions for the sample size of a pilot study based on its aim, recommending 20 to 40 participants for instrument development. Hertzog (2008) added that more than 40 members for a pilot study would be impractical due to costs and time. Johanson and Brooks (2010) suggested that 30 participants from the target population is the least adequate suggestion for a pilot study if its aim is to develop a scale or pilot a survey. Accordingly, both the Arabic and English versions of questionnaires were distributed among 30 respondents who were academics in organisation's behaviour and human resources. Participation was voluntary; to facilitate participation, each respondent was offered a pen to answer the questionnaire. The respondents filled the questionnaire in approximately 15 to 20 minutes. Only 23 of the responses were collected during the pilot study process.

In terms of instrument validation, the respondents of the pilot study pointed out that item 6 (The priority is for the rules and procedures) under Leadership and tone at the top was confusing. Accordingly, an amendment was made and that item was removed. The second comment was concerning item 3 (Zero tolerance in case of misconduct) under Control; they found the question is unclear and misleading. Therefore, it was amended to include five items instead of six. They also added that item 2 (My bank is affecting and affected by competitors) under Adaptation to environment seemed meaningless. They commented that risk is quite long, so they recommended excluding item 14 (I do a risk assessment before starting any task) and 15 (I worry about whether I am recognizing all the risks and managing them appropriately) as they added no value to the questionnaire. The other questions were believed to be fair enough.

4.7.3.2 Questionnaire

Generally, the survey strategy is linked to the deductive approach. In business and management research, questionnaires are a commonly used strategy. Questionnaires are common as they permit the gathering of substantial data and information from a large population with low costs as well as less time and resources (Farooq, 2018). The data acquired using a survey administered to a sample is standardised, making it easy and simple for comparison (Saunders et al., 2009). Furthermore, individuals in general consider the survey strategy convenient as it is relatively easy to understand and explain.

The questionnaire enables the researcher to gather quantifiable data which can be analysed quantitatively using statistical packages such as SPSS and AMOS (Farooq, 2018). Moreover, the data gathered through a questionnaire can be utilised to propose feasible reasons for certain associations between variables and to provide models to represent these relationships (Saunders et al., 2009).

Surveys are well-suited with standardized questions that can be understood properly by all respondents (Robson, 2002). Questionnaires enable collection of data for explanatory or descriptive studies about attitudes, opinions and attributes as well as organisational practices questionnaires from a large number of people which lets the researcher discover and explain the variability in different phenomena. Analytical or descriptive research allows the examination and explanation of relations between variables, particularly cause-and-effect associations (Akinci and Saunders, 2015).

Selecting a rating scale of an odd number, for instance, a five-point Likert scale including a neutral midpoint enables participants to tick the neutral choice when their response is undecided. In other words, the choice 'neutral' is selected when the respondent is confused or not confident about their answer (Johns, 2010). For example, the purpose of this rating is to gather data about employees' views of the current situation in the workplace (Saunders et al., 2009). The rating scale can be extended, but this makes it more difficult for respondents to accurately determine their responses among a wide range of views and opinions. Furthermore, a limited number of categories in a rating scale is not sufficiently distinguished for respondents to determine their responses (Menold and Bogner, 2016).

When studying organisational culture, there are limitations of culture that could be considered. Organizational culture can be regarded from different views and from several perspectives. The primary data was collected through questionnaire surveys distributed among employees of banks in Egypt. The researcher distributed both Arabic and English versions of the questionnaire according to the candidates' request. The researcher visited the banks physically; it took about 2 hours to collect the questionnaire from each bank, while other banks asked to leave the questionnaire and return the next day to collect it answered.

For the purpose of this study, the questionnaire components were mainly derived from previous studies and adjusted to serve the research objectives. Regarding the scale, the researcher asked respondents to present the extent of their agreement or disagreement by means of a five-point Likert scale. The five-point Likert scale was optimum for the study; it ensured that respondents will not be confused with more than five choices, and the researcher found it suitable to obtain an accurate response. It was defined as follows:

5 = Strongly agree
4 = Agree
3 = Neutral
2 = Disagree
1 = Strongly disagree

Regarding this variable, the study asked participants to express their opinions of the degree that suit them the most based on their own opinion and experience within their respective banks.

Table 4.3: Corporate culture questionnaire

1. Leadership and tone at the top	
1. My leader encourages contribution in decision-making. 2. The leader is the godfather for employees. 3. There are regular meetings between supervisors and subordinates. 4. My leader accepts criticism. 5. My leader avoids responsibility. 6. There is centralization and little delegations. 7. My leader refuses discussions. 8. Senior management leads by example. 9. The middle management displays the right behaviours. 10. Management ensures that the message is consistent, well understood and accepted.	Badawy (1999); GRN (2014); O'donnell and Boyle (2008); Bolton et al. (2013); Schein, (2004)
2. Adaptation to environment	
1. My bank is updated with technological development. 2. There is a continuous analysis of the environmental factors within the bank. 3. My bank reacts rapidly to environmental changes. 4. My bank stresses the importance of information availability. 5. My bank considers global/international/foreign markets. 6. People are flexible and adaptable when changes are necessary.	Badawy (1999); Sashkin and Rosenbach (1996); Costanza et al. (2016); Schneider et al. (2013)

7. People feel that most change is the result of pressures imposed from higher up in the organisation. 8. People have a clear idea of why and how to proceed throughout the process of change. 9. Most people believe that change happens too quickly and causes too much disruption. 10. People believe that their concerns and anxieties during periods of change are heard and taken into considerations.	
3. Risk	
1. The values and norms of behaviour within the organisation support effective management of risk. 2. The bank's attitude towards risk is clear and appropriate. 3. Leadership throughout the bank has a focus on risk appropriate decision-making, communication and behaviour. 4. Roles, responsibilities and rewards are determined in keeping with effective risk management. 5. Risk control process is appropriate, clear, timely and effective. 6. There is effective reporting and documents of risk activity. 7. The approaches to manage risk are clearly understood and appropriate to the need. 8. Management provides a clear sense of direction about risk management. 9.Over the past year or so, changes in the way we manage risk have been well designed 10. It is clear who to approach about risk management issues. 11. The risks to which business unit is exposed are assessed and reported on regularly. 12. Sufficient effort is made to get the opinions of employees about risk management. 13. I am well informed of the risks in my work and the way my bank and I are supposed to manage them. 14. Work stresses are at a tolerable level and I am able to focus fully on the task at hand and be mindful of risks and any abnormal events as they arise during my work.	Watson (2011); Badawy (1999); Krivkovich and Levy (2013); Levy et al. (2010)
4. Commitment	
1. My Bank's core purpose (e. g. mission and vision) inspires me to work with enthusiasm and commitment. 2. I comply with the rules while doing a task. 3. The glue that holds the bank is a commitment to innovation and development.	Cameron and Quinn (2011); Badawy (1999); Bader (2002).

5. **Ethics and Integrity**	
1. My bank organisation has written standards of integrity/ethical business conduct that provide guidelines for my job (for example a code of ethics, a policy statement on ethics or guidance on proper business conduct). 2. My bank provides employees with a means of reporting misconduct anonymously without giving their name or other information that could easily identify them. 3. My bank provides training on standards of integrity/ethical conduct. 4. My manager sets a good example of ethical business behaviour. 5. My manager explains to staff and colleagues the importance of honesty, integrity and ethics in the work we do. 6. My manager rewards an employee who gets good results even if they use practices that are ethically questionable. 7. My manager supports me in following my organisation's standards of ethical behaviour. 8. My bank disciplines employees who violate the organisation's ethical standards. 9. My bank acts responsibly in all its business dealings (with clients, suppliers, etc.). 10. My bank lives up to its stated policy of social responsibility. 11. Ethical issues of 'right and wrong' are discussed in staff meetings.	Basran (2012); IMF (2014); Graham (2013); Enciso et al. (2017)
6. **Communication**	
1. Upward communication channels are clear and used. 2. I have frequent one-to-one discussions with my supervisor to discuss how my goals align with the group and bank goals, my performance toward those goals and my personal development plan. 3. My supervisor is helping me achieve my full potential by providing ongoing coaching to improve my performance and recognition for my successes. 4. All managers know what is happening in our organisation and where all the problems are – the workforce knows clearly what our managers expect – there are no mixed messages. 5. Management does an excellent job of communicating with employees on a host of issues. 6. Regular meetings for exchanging knowledge. 7. Good communication among the different departments within the bank.	Badawy (1999); Sebastiao et al. (2017); Gramatnikovski et al. (2015)

7. Transparency	
1. Bank's culture supports risk transparency and enable concerns to be voiced. 2. Whistle-blowers are proactively encouraged and well-treated.	GRN (2014); Salazar (2017); Bruhn (2018)
8. Accountability	
1. Roles, authorities and accountabilities for all bank activities are clearly established and well understood by all stakeholders. 2. Employees within the bank are fully aware of their responsibilities and are competent to carry them out. 3. I have a deep sense of personal responsibility for all the things I am committed to. 4. I am held accountable for any work delinquency	Badawy (1999); Schwartz et al. (2005); Dubnick and Brien (2009)
9. Coordination and Integration	
1. The bank's approach to doing business is very consistent and predictable. 2. Employees from different parts of the bank share a common perspective. 3. It is easy to coordinate projects across different parts of the bank. 4. Working with someone from another department of the bank is very easy. 5. There is good alignment of goals across levels.	Denison and Neale (1996); Pirayeh et al. (2011)
10. Control	
1. Self-consciousness is the master control tool. 2. Existence of regulatory rules. 3. Informing employees with work rules and procedures. 4. Conducting employees' performance evaluation with the aim of penalty. 5. Conducting employees' performance evaluation with the aim of enhancing performance.	Badawy (1999); Nurwati (2013)

4.8 Secondary Data

4.8.1 Objective 4: Measuring corporate governance and performance among banks in Egypt through secondary data collection.

Research projects utilise collection of documentary secondary data besides primary data or beside other secondary data sources or can even be used on their own. Secondary data can include documents or written resources such as electronic mails, notes, shareholder reports, minutes of meetings, speech transcripts and public and administrative reports (Saunders et al., 2009). Board characteristics were collected from the Egyptian Stock Exchange and from banks' annual reports as well as banks' websites. Since there is no unique, single measure for bank performance. This study employed three measures of bank performance (ROA, ROE, and NIM). These measures were obtained from banks' financial statements in Bankscope.

Table 4.4: Corporate governance

Variable	Measurement	Reference
Board size (BdSize)	Measured by the number of directors on the board	Mak and Kusnadi (2005); Uadiale (2010); Rachdi and Ameur (2011); Johl et al.(2015); Alsahafi et al. (2015); Horvath and Spirollari (2012) and Ghabayen (2012)
Board Independence (BdIndep.)	Measured as the proportion of independent directors on the board	Mak and Kusnadi (2005); Uadiale (2010); Lefort and Urzua (2008); De Andres and Vallelado (2008); Johl et al. (2015) and Ghabayen (2012); Horvath and Spirollari (2012)
Frequency of meetings (Freqmeet)	Measured as the number of regular meetings held by the board during the year	Johl et al. (2015); Horvath and Spirollari (2012)
CEO Duality (CEODual)	CEO and Chairman are the same person=1; CEO and Chairman are not the same person=0	Mak and Kusnadi (2005); Uadiale (2010); Alsahafi et al. (2015)

Table 4.5: Bank financial performance

Profitability Indicators	Measurement	References
Return on Assets (ROA)	Measured as percentage of net income to total assets	Rachdi and Ameur (2011); Naceur (2003); Sobhy et al. (2017); Taskin (2012)
Return on Equity (ROE)	Measured as percentage of net income to total equity	Racdi and Ameur (2011); Taskin (2012); Sobhy et al. (2017).
Net Interest Margin (NIM)	Net interest income as a percent of investment securities and loans.	Naceur (2003); Taskin (2012); Sobhy et al. (2017)

4.9 The Sample and Data Collection

For research questions where it is unviable to gather data from the entire population, selecting a sample is necessary. This is equally important when using questionnaires, interviews, observations or other methods of data collection. Furthermore, sampling saves efforts and time. It is more practical and convenient to implement a data collection plan with less people involved. The results will be obtained faster when having fewer data entry (Saunders et al., 2009).

This research targets all 34 banks in Egypt in the Bankscope database. However, six banks refused to take the questionnaire and five banks had missing values; the final sample was 23 banks. Regarding the primary data, questionnaire surveys were distributed among 1,000 bank employees based on probabilistic systematic sampling as they are considered fitting to the sample as they work in banks of Egypt. However, only 522 questionnaires were completed and collected without errors. According to employees' knowledge and daily experience, the information they provided helped enhance the researcher's knowledge, helping understand and identify corporate culture within banks in Egypt. The questionnaire responses were analysed using SPSS. The research uses panel data that covers the period 2010-2014 because that was the period for which corporate governance variable data was available. Subsequently, multiple regression analysis was used to reflect the relationship between the different variables.

4.10 Research Analysis

Two models were developed to test the research hypotheses to examine the impact of corporate culture and corporate governance on the performance of banks in Egypt. The first model focuses on corporate culture and the second model focuses corporate governance.

4.10.1 The first empirical model

The first empirical model examines the impact of corporate culture on bank performance. Ten main hypotheses were formulated and tested. Table 4.6 presents these ten hypotheses.

Table 4.6: Corporate culture hypotheses

Corporate culture hypotheses	
H1	There is a positive relationship between Transparency and bank performance.
H2	There is a positive relationship between Accountability and bank performance.
H3	There is a positive relationship between Control and bank performance.
H4	There is a positive relationship between Coordination and Integration and bank performance.
H5	There is a positive relationship between Adaptation to environment and bank performance.
H6	There is a positive relationship between sound Risk culture and bank performance.
H7	There is a positive relationship between strong Leadership and Tone from the top and bank performance.
H8	There is a positive relationship between Ethics and Integrity and bank performance.
H9	There is a positive relationship between Commitment and bank performance
H10	There is a positive relationship between communication and bank performance.

The proposed regression model is represented by the following equation:

PERF = β0 + β1 Transparency+ β2 Accountability + β3 Control+ β4 Coordination & Integration+ β5 Adaptability+ β6 sound risk+ β7 Leadership & tone from the top+ β8 Ethics & Integrity+ β9 Commitment+ β10 Communication

Where PERF is a measure of performance taken as ROA, ROE and NIM for each bank.

The following table presents and summarises the variables used in the first model, the definition of each variable and the measurement of each variable.

Table 4.7: Variables, definitions and measurements for the First Empirical Model

Variables	Definitions	Measurement
Dependent variables		
ROA	Return on Assets	Measured as percentage of net income to total assets
ROE	Return on Equity	Measured as percentage of net income to total equity
NIM	Net Interest Margin	Net interest income as a percent of investment securities and loans.
Independent variables		
Transparency	Transparency	Measured by questionnaire
Accountability	Accountability	
Control	Control	
Coordination and Integration	Coordination and Integration	
Adaptation to environment	Adaptability	
Sound risk culture	Sound risk culture	
Leadership and tone at the top	Leadership and tone at the top	
Ethics and Integrity	Ethics & Integrity	
Commitment	Commitment	
Communication	Communication	

4.10.2 The second empirical model

The second empirical model examines the impact of corporate governance on bank performance. Four main hypotheses were formulated and tested as presented in table 4.8.

Table 4.8: Corporate governance hypotheses

Corporate governance hypotheses	
H11	There is a positive relationship between Frequency of meetings and bank performance.
H12	There is a negative relationship between Board size and bank performance.
H13	There is a positive relationship between Board independence and bank performance.
H14	There is a negative relationship between CEO duality and bank performance.

The proposed regression model is represented by the following equation:

PERF = **β0 + β1 Freq.Meet+ β2 Bdsize + β3 BdIndep+ β4 CEODual + β5 LSize + β6 Aud.Quality + β7 Age**

Where PERF is a measure of performance taken as ROA, ROE and NIM for each bank.

Table 4.9 presents and summarises the variables used in the second model, the definition of each variable and the measurement of each variable.

Table 4.9: Variables, definitions and measurements for the Second Empirical Model

Variables	**Definitions**	**Measurement**
Dependent variables		
ROA	Return on Assets	Measured as percentage of net income to total assets
ROE	Return on Equity	Measured as percentage of net income to total equity
NIM	Net Interest Margin	Net interest income as a percent of investment securities and loans.
Independent variables		
Freq.Meet	Frequency of Meetings	Measured as the number of regular meetings held by the board during the year
BdSize	Board Size	Measured by the number of directors on the board

BdIndep	Board Independence	Measured as the proportion of independent directors on the board
CEODual	CEO Duality	CEO and Chairman are the same person=1, otherwise=0
Control variables		
LSize	Bank size	Log of total assets
Aud.Quality	Audit Quality	Audit quality was set as 1 if the information from banks' audited reports show that it is audited by one of the Big Four audit firms, otherwise 0
Age	Bank Age	The difference in time period between the year banks were founded and year 2014

4.11 Descriptive Statistics

Table 4.10 presents the corporate culture descriptive statistics (percentages, mean, standard deviation and coefficient of variation). For the total dimension Communication, the value of the arithmetic mean of responses was 3.809 and standard deviation 0.802. This indicates that respondents tended to agree to the statements measuring the communication dimension. The coefficient of variation was 21% which shows a low degree of dispersion and indicates a consensus and agreement among the respondents. For the total dimension Leadership and tone at the top, the value of arithmetic mean of responses was 3.38 and standard deviation 0.424. This implies that the respondents tended to neutrally agree for the statements measuring the leadership and tone at the top dimension. The coefficient of variation was 12.5% which suggests a low degree of dispersion and indicates a consensus and agreement among the respondents. For the total dimension Risk, the value of arithmetic mean of responses was 3.67 and standard deviation 0.658; this implies that respondents tended to agree for the statements measuring the risk dimension. The coefficient of variation was 17.9% which shows a low degree of dispersion and indicates a consensus and agreement among the respondents. According to the total dimension Transparency, the value of arithmetic mean of responses was 4 and standard deviation 0.942. This means that respondents tended to agree for the statements measuring the transparency dimension. The coefficient of variation was 23.5% which shows a low degree of dispersion and indicates a consensus and agreement.

For the total dimension Control, the value of arithmetic mean of responses was 4.16 and standard deviation 0.88. This indicates that respondents tended to agree for the statements measuring the control dimension. The coefficient of variation was 21.1% which shows a low degree of dispersion and indicates a consensus and agreement among the respondents. For the total dimension Ethics and Integrity, the value of arithmetic mean of responses was 4.05 and standard deviation 0.92. This implies that respondents tended to agree for the statements measuring the ethics and integrity dimension. The coefficient of variation was 22.7% which shows a low degree of dispersion and indicates a consensus and agreement among the respondents. For the total dimension Coordination and Integration, the value of arithmetic mean of responses was 4.05 and standard deviation 0.791. This implies that respondents tended to agree for the statements measuring the coordination and integration dimension. The coefficient of variation was 19.5% which shows a low degree of dispersion and indicates a consensus and agreement among the respondents. For the total dimension Commitment), the value of arithmetic mean of responses was 3.18 and standard deviation 0.586. This implies that respondents tended to neutrally agree for the statements measuring the commitment dimension. The coefficient of variation was 18.4% which shows a low degree of dispersion and indicates a consensus and agreement among the respondents.

For the total dimension Accountability, the value of the arithmetic mean of responses was 4.13 and standard deviation 0.848. This implies that respondents tended to agree for the statements measuring the accountability dimension. The coefficient of variation was 20.5% which shows a low degree of dispersion and indicates a consensus and agreement among the respondents. For the total dimension Adaption to environment, the value of arithmetic mean of responses was 3.99 and standard deviation 0.939. This implies that respondents tended to agree for the statements measuring the adaption to environment dimension. The coefficient of variation was 23.5% which shows a low degree of dispersion and indicates a consensus and agreement among the respondents.

Table 4.10: Descriptive statistics of corporate culture

	Strongly agree	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
Upward communication channels are clear and used.	19.3%	28.7%	34.8%	14.7%	2.5%
I have frequent one-to-one discussions with my supervisor to discuss how my goals align with the group and bank goals, my performance toward those goals and my personal development plan.	27.4%	24.5%	32.0%	14.7%	1.4%
My supervisor is helping me achieve my full potential by providing ongoing coaching to improve my performance and recognition for my successes.	39.7%	19.6%	26.2%	14.1%	0.4%
All managers know what is happening in our organisation and where all the problems are – the workforce knows exactly what our managers expect – there are no mixed messages.	42.9%	19.7%	21.8%	13%	2.6%
Management does an excellent job of communicating with employees on a host of issues.	41.3%	21.2%	29.3%	6.1%	2.1%
Regular meetings for exchanging knowledge.	43.9%	21.8%	28.2%	6.0%	0.1%
Good communication among the different departments within the bank.	42.0%	21.0%	29.3%	5.6%	2.1%
Leadership and Tone at the top					
My leader encourages contribution in decision-making.	35.6%	20.2%	27.1%	7.1%	10.0%
The leader is the godfather for employees.	25.2%	23.7%	39.8%	7.1%	4.2%

There are regular meetings between supervisors and subordinates.	27.1%	23.5%	41.5%	7.1%	0.8%
My leader accepts criticism.	19.1%	22.7%	35.0%	10.0%	13.2%
My leader avoids responsibility.	27.6%	12.7%	46.2%	10.8%	2.7 %
There is centralization and limited delegations.	20.8%	5.6%	54.2%	17.7%	1.6%
My leader refuses discussions.	21.6%	5.8%	52.2%	18.8%	1.6%
Senior management leads by example.	23.6%	18.6%	36.1%	13.4%	8.3%
The middle management displays the right behaviours.	25.7%	29.5%	32.2%	12.3%	0.3%
Management ensures that the message is consistent, well-understood and accepted.	24.2%	26.3%	36.2%	4.9%	8.4%
Risk					
The values and norms of behaviour within the organisation generally support effective management of risk.	39.0%	21.3%	25.1%	6.6%	8.0%
The bank's attitude towards risk is clear and appropriate.	48.0%	21.0%	12.5%	18.5%	
Leadership throughout the bank has a focus on risk appropriate decision-making, communication and behaviour.	48.6%	24.5%	25.7%	1.2%	
Roles, responsibilities and rewards are determined in keeping with effective risk management.	39.0%	13.9%	45.0%	1.4%	0.6%
Risk controls process is appropriate, clear, timely and effective.	40%	17.9%	33.9%	8.0%	0.2%
There is effective reporting and documents of risk activity.	36.2%	32.7%	19.7%	11.4%	
The approaches to manage risk are clearly understood and appropriate to the need.	12.4%	54.4%	20.8%	11.9%	0.5%
Management provides a clear sense of direction in relation to risk management.	13.6%	54.2%	19.3%	12.0%	0.9%

Over the past year or so, changes in the way we manage risk have been well designed.	13.8%	57.4%	25.5%	3.0%	0.3%
It is clear who to approach about risk management issues.	12.9%	54.5%	22.7%	7.8%	2.1%
The risks to which business unit is exposed are assessed and reported on regularly.	46.4%	11.1%	29.5%	8.8%	4.2%
Sufficient effort is made to get the opinions of employees in relation to risk management.	30.9%	15.6%	42.5%	7.1%	3.9%
I am well informed of the risks in my work and the way my bank and I are supposed to manage them.	40.1%	11.3%	37.9%	8.8%	1.9%
Work stresses are at a tolerable level and I am able to fully focus on the task at hand and be mindful of risks and any abnormal events as they arise during my work.	31.0%	7.4%	43.1%	14.6%	3.9%
Transparency					
Bank's culture supports risk transparency and enables concerns to be voiced.	8.6%	40.4%	37.3%	10.8%	2.8%
Whistle blowers are well treated.	17.6%	52.6%	29.3%	0.5%	
Control					
Self-consciousness is the master control tool.	50.2%	18.8%	31.0%		
Existence of regulatory rules.	54.2%	20.2%	25.6%		
Informing employees with work rules and procedures.	48.7%	34.5%	16.8%		
Conducting employees' performance evaluation with the aim of penalty.		0.2%	32.4%	18.7%	48.7%
Conducting employees' performance evaluation with the aim of enhancing performance.		50%	35.0%	15.0%	

Ethics and Integrity					
My bank organisation has written standards of integrity/ethical business conduct that provide guidelines for my job (for example a code of ethics, a policy statement on ethics or guidance on proper business conduct).	48.9%	18.8%	32.3%		
My bank provides employees with a means of reporting misconduct anonymously, without giving their name or other information that could easily identify them.	34.1%	17.2%	48.7%		
My bank provides training on standards of integrity/ethical conduct.	32.4%	19.0%	48.6%		
My manager generally sets a good example of ethical business behaviour.	35.1%	16.3%	48.6%		
My manager explains to staff and colleagues the importance of honesty, integrity and ethics in the work we do.	17.6%	33.7%	48.7%		
My manager rewards employee who get good results even if they use practices that are ethically questionable.			35.3%	16.0%	48.7%
My manager supports me in following my organisation's standards of ethical behaviour.	18.2%	48.6%	25.9%	6.7%	0.6%
My bank disciplines employees who violate the organisation's ethical standards.	26.6%	23.2%	34.8%	9.2%	6.2%
My bank acts responsibly in all its business dealings (with clients, suppliers, etc.)	24.3%	39.7%	19.6%	8.0%	8.4%
My bank lives up to its stated policy of social Responsibility.	61.9%	29.0%	8.9%	0.2%	
Ethical issues of 'right and wrong' are discussed in staff meetings.	60.5%	11.3%	23.5%	4.7%	

Coordination and Integration					
The bank's approach to doing business is very consistent and predictable.	12.7%	32.1%	33.4%	11.8%	10.0%
Employees from different parts of the bank share a common perspective.	11.4%	10.5%	43.2%	33.8%	1.1%
It is easy to coordinate projects across different parts of the bank.	30.6%	31.7%	30.5%	6%	1.2%
Working with someone from another department of the bank is very easy.	29.3%	23.9%	23.4%	10.1%	13.3%
There is good alignment of goals across levels.	19.6%	24.5%	41.5%	9.9%	4.5%
Commitment					
My bank's core purpose (e.g. mission and vision) inspires me to work with enthusiasm and commitment.	23.6%	27.3%	32.7%	10.4%	6.0%
I comply with the rules while doing a task.	31.8%	34.8%	33.4%		
The glue that holds the bank is commitment to innovation and development.	16.6%	39.8%	43.6%		
Accountability					
Roles, authorities and accountabilities for all bank activities, are clearly established and well understood by all stakeholders.	23.1%	46.2%	30.7%		
Individuals within the bank are fully aware of their responsibilities and are competent to carry them out.	22.6%	31.0%	46.4%		
I have a deep sense of personal responsibility for all the things I am committed to.	22.6%	31.2%	46.2%		

I am held accountable for any work delinquency.	42.8%	35.9%	21.3%		
Adaptation to environment					
My bank is updated with technological development.	58.3%	30.6%	11.1%		
There is a continuous analysis for the environmental factors.	43.1%	21.0%	34.5%	1.3%	0.2%
My bank reacts rapidly to environmental changes.	39.3%	20.5%	18.4%	12.1%	9.7%
My bank stresses the importance of information availability.	44.4%	14.7%	30.3%	5.8%	4.8%
My bank considers global/international/foreign markets.	43.9%	14.7%	29.0%	12.4%	
People are flexible and adaptable when changes are necessary.	11.6%	21.0%	42.6%	20.8%	4.0%
People feel that most change is the result of pressures imposed from higher up in the organisation.	28.3%	37.2%	21.6%	12.2%	0.7%
People have a clear idea of why and how to proceed throughout the process of change.	11.6%	22.7%	29.7%	16.1%	19.9%
Most people believe that change happens too quickly and causes too much disruption.	49.2%	18.4%	22.4%	10.0%	
People believe that their concerns and anxieties during periods of change are heard and taken into consideration.	15.8%	12.6%	22.6%	20.9%	28.1%
Sample size 522					

Table 4.11 presents the corporate governance descriptive statistics. The average board size is 9 (mean=9.48). The percentage of board independence shown is relatively moderate, nearly 51% to meet the corporate governance code of banks in Egypt. The average frequency of board meetings was 7 times per year (mean=7.040) that highly complies with banks' corporate governance code in Egypt. Moreover, the CEO duality is 72% (mean=0.72), which does not comply with corporate governance code for Egyptian

banks that recommends the separation of Chairman and CEO or a reason given for the same person holding the two positions.

Table 4.11: Descriptive statistics of corporate governance

	Mean	Std. Deviation	Skewness	Kurtosis	Mini-mum	Maxi-mum
Board Size	9.480	1.531	1.064	2.094	7.000	14.000
Independence	0.505	0.184	-0.014	-1.077	0.200	0.800
Frequency of meetings	7.040	1.767	-0.312	-1.065	4.000	9.000
CEO duality	0.720	0.458	-1.044	-0.998	0.000	1.000
ROA	1.607	1.812	3.705	15.538	-2.213	6.898
ROE	11.085	22.066	-2.290	6.304	-57.123	48.950
NIM	4.432	3.259	0.869	3.355	1.578	18.520
Audit quality	0.640	0.490	-0.621	-1.762	0.000	1.000
size	60082.560	100833.900	3.153	10.527	3143	456520
Age	41.391	26.029	1.283	3.050	3.000	118.000

Additionally, the Variance Inflation Factor (VIF) tests were conducted. The VIF values are shown for the two models respectively in tables 4.12 and 4.13. As shown in table 4.12, the VIF values of the first model were very high above 10. As a rule of thumb, the VIF values of 10 or more are of concern according to William (2015), which is not an accepted limit. As demonstrated in table 4.13, the maximum VIF for board independence is 2.789. Regarding the second model, the VIF values were accepted as they were all below 10. Therefore, multicollinearity does not appear in the second model.

Table 4.12: VIF test results for Model 1

VIF Test Results for the First Model	
Variable	**VIF**
Communication	65.238
Leadership and ethical tone at the top	29.548
Control	65.552
Adaptability	96.950
Sound risk culture	217.199
Commitment	189.996
Ethics and Integrity	90.444
Transparency	226.513
Accountability	280.833
Coordination and Integration	132.645

Table 4.13: VIF test results for Model 2

VIF Test Results for the Second Model	
Variable	**VIF**
BdIndep.	2.789
Freq.Meet.	2.479
CEODual	1.361
BdSize	1.797
Lsize	2.597
Aud.Quality	1.288
Age	2.019

4.12 Hypotheses Testing

The first technique used in this research is regression analysis. Multiple linear regression is a linear statistical technique that is very useful for examining the best relationship between several independent variables and a dependent variable (Akan et al., 2015). This research examines the impact of several corporate culture variables and several corporate governance variables on bank performance as a dependent variable. Thus, multiple regression was considered beneficial for this study.

The researcher used descriptive analysis of corporate culture and board characteristics. The ridge regression was used to test the relationship between corporate culture attributes and performance using STATA, while OLS regression was used to examine the relationship between corporate governance variables and performance using SPSS 24.

4.12.1 Ridge regression

The first model examined the impact of corporate culture attributes on performance. Before starting regression analysis, the researcher examined the variables for multicollinearity. This multicollinearity can be detected through several ways: high correlation in the correlation matrix considering variance inflation factors where VIFs greater than 10 suggest multicollinearity (Schmidheiny and Basel, 2016). Therefore, a problem of multicollinearity appeared. Multicollinearity means perfectly correlated explanatory variables which violate the OLS assumptions (Schmidheiny and Basel, 2016). Therefore, the researcher used ridge regression in the first model.

The negative effect that collinearity has on the least squares (LS) estimator in regression is widely popular. Several approaches were developed for its solution, mainly focussed on variable removal, i. e. eliminating one or more of the independent variables to enhance the results of the correlation matrix for the residual independent variables. Ridge regression, contrarily, offers a way to solve the issue of collinearity without eliminating variables from the initial set of independent variables (McDonald, 2009). Ridge regression is one of the most important approaches to resolve multicollinearity and is the most popular approach among researchers as well as practitioners (Saleh, 2014).

4.12.2 OLS regression

The multiple linear regression model and its estimation applying OLS is doubtlessly the most commonly used tool in econometrics. It permits the estimation of the relation between a dependent variable and a set of explanatory variables (Schmidheiny and Basel, 2016; Moutinho and Hutcheson, 2011). OLS has several assumptions:

4.12.2.1 Linearity

There is a debate among researchers that linearity is a key assumption as it relates to the prejudice of the entire analysis in which the functional relationship between dependent and independent variables is linear (Schmidheiny and Basel, 2016).

Osborne and Waters (2002) and Cohen et al. (2003) claim that multiple regression can precisely detect the association between dependent and independent variables only when the relation between variables is linear. In the social sciences, there is a high probability for non-linear relationships; thus it is important to formulate a linearity test (Osborne and Waters, 2002).

In case non-linearity exists, all the regression estimates comprising regression coefficients might be biased as well as standard errors and tests of statistical significance. If the association between the dependent and independent factors is non-linear, the regression analysis results are likely to overestimate or underestimate the actual relationship (Ballance, 2011).

4.12.2.2 Independence of Errors

This assumes that errors are independent, indicating that variables act independently (Weisberg, 2005). Essentially, the aim of studies is to model precisely the actual relations in the population. In studies of educational and social sciences, usually it is cumbersome to measure variables, making measurement of error a field of specific concern (Osborne and Waters, 2002). Breach of this assumption would lead to biased estimates of standard errors and significance (Williams et al., 2013).

This can lead to underestimation of standard errors, indicating that variables are statistically significant when they are not. Therefore, violating this assumption misleads the explanations and discussions of the analysis (Ballance, 2011).

4.12.2.3 Homoscedasticity

The assumption suggests an equal variance of errors across all independent variables. This lets the researcher assume an even distribution of errors across the variables. This is obvious when the variance around the regression line is equal for all values of the predictor variable (Ballance, 2011). If heteroscedasticity is observed, it can distort the results, weaken the statistical analysis and lead to miscalculations of coefficient standard errors (Fox, 2015).

4.12.2.4 Collinearity

Multicollinearity arises when two or more independent variables are correlated to each other in a regression model or when an independent variable is a near linear combination of two or more independent variables (Dauod, 2017). Perfectly correlated explanatory variables will less likely isolate the impact of variables (Schmidheiny and Basel, 2016). In multiple regression, the independent variables can be correlated to a certain degree. Ideally, there should be a high correlation between independent variables and dependent variables instead of a high correlation with other independent variables (Balance, 2011).Multicollinearity should be resolved before launching the process of data modelling (Dauod, 2017). The researcher used VIF to test for multicollinearity, where the value of VIF for the second model was below 10. Which indicates that no multicollinearity exists

4.12.2.5 Normality

Regression assumes that variables have normal distribution (Osborne and Waters, 2002). This implies a normal distribution of errors (Williams et. al., 2013), a plot of residual values will closely display a normal curve will closely display a normal curve. This indicates a normal distribution of errors as well as the plot of the residual values showing a normal curve and giving the researcher an idea and expectation of values (Ballance, 2011).

On the other hand, non-normal distribution can lead to the distortion of significance tests and relationships (Osborne and Waters, 2002). Cohen et al. (2003) claim that breaches of the normality assumptions do not result in biased estimates of the regression coefficients. Instead, the impact of violation of the normality assumption on confidence intervals and significance tests relies on the sample size. A normality test was performed using skewness and kurtosis, the normality of the variables can be assumed if the skewness statistic is within the interval (-2.0, 2.0) and the kurtosis statistic lying in the interval (-7, 7) according to Kim (2013). According to the descriptive statistics in table 4.11, ROA and ROE showed high levels of skewness and kurtosis. Thus, the researcher used logarithmic transformations which are a convenient means of transforming a highly skewed variable into one that is more approximately normal (Benoit, 2011)

After checking and meeting OLS assumptions, the researcher used the OLS regression for the second model to examine the impact of corporate governance on performance.

4.13 Summary

This chapter presented the research paradigm utilised for research process of this study. Particularly, two opposing perspectives were discussed in this chapter, namely the qualitative approach and the quantitative approach. Considering that the variables under investigation in this research are measurable and observable, the quantitative approach was applied. Independent and dependent variables were defined along with their measures. Data collection procedures were clarified as well as sample size was identified. Finally descriptive statistics and hypotheses testing were represented.

Chapter Five: Results and Analysis

5.1 Introduction

The purpose of this chapter is to present the Delphi technique results, instrument reliability, validity and questionnaire demographics. Furthermore, this chapter presents correlation analysis as well as hypothesis testing. Finally, results are displayed along with discussions for each model and ending by summary.

This chapter illustrates the data analysis results according to the research methodology described in Chapter Four. In this chapter, the 14 hypotheses discussed in Chapter Three have been tested. This study adopted two empirical models. The first model shows the relationship between corporate culture and bank financial performance, while the second model shows the relationship between corporate governance and bank financial performance.

The first section of the chapter presents the Delphi technique results of round one and round two, showing the ranking of the corporate culture attributes. Therefore, questionnaire demographics and Cronbach's alpha instrument reliability was illustrated as well as confirmatory factor analysis. The second part shows correlation matrix, hypotheses testing and the results have been presented. Discussion of each model has been provided.

5.2 Delphi Technique Results

Table 5.1: Delphi Technique-Round 1

		Very important	important	Neutral	Un-importa nt	Very unimporta nt
Communication	frequency	22	2	0	0	0
	percent	91.70%	8.30%	0	0	0
Leadership and tone at the top	frequency	21	2	1	0	0
	percent	87.5%	8.33%	4.16%	0	0
Control	frequency	21	3	0	0	0
	percent	87.50%	12.50%	0	0	0
Adaptation to environment	frequency	18	4	2	0	0
	percent	75%	16.70%	8.30%	0	0
Risk	frequency	17	7	0	0	0
	percent	70.80%	29.20%	0	0	0
Commitment	frequency	18	4	1	0	0
	percent	75.00%	20.80%	4.2%	0	0
Ethics and integrity	frequency	19	5	0	0	0
	percent	79.20%	20.80%	0	0	0
Transparency	frequency	20	2	2	0	0
	percent	83.40%	8.30%	8.3%	0	0
Accountability	frequency	14	6	4	0	0
	percent	58.33%	25%	16.67%	0	0
Coordination and Integration	frequency	16	5	3	0	0
	percent	66.67%	20.83%	12.5%	0	0

According to table 5.1, most respondents tended to agree and strongly agree to all the aspects of the cultural aspects, which indicates that there is a consensus among respondents.

Table 5.2: Delphi Technique-Round 2

The Corporate culture aspect	Rank	%
Communication	1	84.2%
Leadership and Tone from the Top	2	89.5%
Control	5	73.7%
Adaptation to environment	10	52.6%
Risk	3	63.1%
Commitment	8	52.6%
Ethics and Integrity	6	78.9%
Transparency	4	69.4%
Accountability	9	63.1%
Coordination and Integration	7	57.9%

5.3 Questionnaire Demographics

Table 5.3: Questionnaire demographics

Gender	
Female	42%
Male	58%
Age	
25–35	62%
36–45	36%
46–55	2%
How long have you worked	
1–5	38%
6–10	32%
11–15	27%
16–20	3%
Department	
Retail banking	29%
Corporate banking	31%
Treasury	18%
Credit	17%
Other	5%

5.4 Instrument Reliability

Table 5.4: Cronbach's Alpha (α) Coefficients for main constructs and dimensions

	No. of Items	Cronbach's Alpha
Communication	7	0.862
Leadership and ethical tone at the top	10	0.690
Control	5	0.647
Adaptability	10	0.859
Sound risk culture	14	0.865
Commitment	3	0.744
Ethics and Integrity	11	0.795
Transparency	2	0.733
Accountability	4	0.833
Coordination and Integration	5	0.822
Total	71	0.871

The reliability of instrument used in this research was tested using Cronbach's alpha. The Cronbach's alpha coefficient is the most widely used method for testing the internal consistency of a scale for reliability (Hair et al., 1998). The Cronbach's alpha ranges are between 0 and 1 with a minimum acceptable range of 0.6 (Hair et al., 1998). The results show that Cronbach's alpha is above 0.6 for all constructs, which is an accepted level and shows consistency.

5.5 Instrument Validity

Table 5.5: Confirmatory factor analysis

Statements	Component	Communalities	p-value of KMO& Bartlett's test
	Communication		
Upward communication channels are clear and used.	.245	.060	0.000
I have frequent one-to-one discussions with my supervisor to discuss how my goals align with the group and bank goals, my performance toward those goals and my personal development plan.	.144	.021	
My supervisor is helping me achieve my full potential by providing ongoing coaching to improve my performance and recognition for my successes.	.942	.887	
All managers know what is happening in our organisation and where all the problems are – the workforce knows exactly what our managers expect – there are no mixed messages.	.929	.863	
Management does an excellent job of communicating with employees on a host of issues.	.977	.955	
Regular meetings for exchanging knowledge	.973	.947	
Good communication among the different departments within the bank	.980	.961	

	Leadership and tone from the top		
My leader encourages contribution in decision making.	.311	.097	0.000
The leader is the godfather for employees.	.872	.761	
There are regular meetings between supervisors and subordinates.	.817	.667	
My leader accepts criticism.	.845	.713	
My leader avoids responsibility.	.746	.556	
There is centralization and limited delegations.	.743	.551	
My leader refuses discussions.	.721	.520	
Senior management leads by example.	.870	.756	
The middle management displays the right behaviours.	.909	.826	
Management ensures that the message is consistent, well understood and accepted.	.910	.828	
	Risk		
The values and norms of behaviour within the organisation generally support effective management of risk.	.786	.617	0.000
The bank's attitude towards risk is clear and appropriate.	.895	.801	
Leadership throughout the bank has a focus on risk appropriate decision-making, communication and behaviour.	.906	.821	

Roles, responsibilities and rewards are determined in keeping with effective risk management.	.715	.511	
Risk controls process is appropriate, clear, timely and effective.	.838	.702	
There is effective reporting and documents of risk activity.	.929	.863	
The approaches to manage risk are clearly understood and appropriate to the need**.**	.939	.882	
Management provides a clear sense of direction in relation to risk management.	.936	.876	
Over the past year or so, changes in the way we manage risk have been well designed	.914	.835	
It is clear who to approach about risk management issues.	.939	.881	
The risks to which business unit is exposed are assessed and reported on regularly.	.892	.796	
Sufficient effort is made to get the opinions of employees in relation to risk management.	.609	.371	
I am well informed of the risks in my work and the way my bank and I are supposed to manage them	.844	.712	
Work stresses are at a tolerable level and I am able to fully focus on the task at hand and be mindful of risks and any abnormal events as they arise during my work.	.620	.384	
	Transparency		
Bank's culture support risk transparency and enable concerns to be voice.	.923	.853	0.000
Whistle blowers are well treated.	.923	.853	

	Control		
Self-Conscious is the master control tool.	.980	.960	0.000
Existence of regulatory rules.	.986	.971	
Informing employees with work rules and procedures.	.992	.983	
Conducting employees' performance evaluation with the aim of penalty.	.989	.977	
Conducting employees' performance evaluation with the aim of enhancing performance	.989	.978	
	Ethics and Integrity		
My bank organisation has written standards of Integrity/ethical business conduct that provide guidelines for my job (for example a code of ethics, a policy statement on ethics or guidance on proper business conduct).	.980	.961	0.000
My bank provides employees with a means of reporting misconduct anonymously, without giving their name or other information that could easily identify them.	.978	.956	
My bank provides training on standards of integrity/ethical conduct.	.982	.963	
My manager generally sets a good example of ethical business behaviour.	.978	.957	
My manager explains to staff and colleagues the importance of honesty, integrity and ethics in the work we do.	.982	.964	
My manager rewards employee who get good results even if they use practices that are ethically questionable.	.978	.956	

My manager supports me in following my organisation's standards of ethical behaviour.	.959	.920	
My bank disciplines employees who violate the organisation's ethical standards.	.749	.561	
My bank acts responsibly in all its business dealings (with clients, suppliers, etc.)	.909	.827	
My bank lives up to its stated policy of social responsibility	.932	.869	
Ethical issues of 'right and wrong' are discussed in staff meetings.	.906	.821	
	Coordination and Integration		
The Bank's approach to doing business is very consistent and predictable.	.810	.655	0.000
Employees from different parts of the bank share a common perspective.	.972	.944	
It is easy to coordinate projects across different parts of the bank.	.943	.889	
Working with someone from another department of the bank is very easy.	.966	.933	
There is good alignment of goals across levels.	.936	.876	
	Commitment		
My Bank's core purpose (e. g. mission and vision) inspires me to work with enthusiasm and commitment.	.782	.521	0.000
I comply with the rules while doing a task.	.914	.836	
The glue that holds the bank is commitment to innovation and development.	.917	.841	

	Accountability		
Roles, authorities and accountabilities for all bank activities, are clearly established and well understood by all stakeholders.	.987	.975	0.000
Individuals within the bank are fully aware of their responsibilities and are competent to carry them out.	.988	.976	
I have a deep sense of personal responsibility for all the things I am committed to.	.991	.982	
I am held accountable for any work delinquency.	.920	.847	
	Adaptation to environment		
My bank is updated with technological development.	.932	.868	0.000
There is a continuous analysis for the environmental factors.	.924	.855	
My bank reacts rapidly to environmental changes.	.507	.257	
My bank stresses the importance of information availability.	.604	.365	
My bank considers global/international/foreign markets.	.637	.406	
People are flexible and adaptable when changes are necessary.	.956	.914	
People feel that most change is the result of pressures imposed from higher up in the organisation.	.947	.897	
People have a clear idea of why and how to proceed throughout the process of change.	.947	.896	

Most people believe that change happens too quickly and causes too much disruption.	.946	.895	
People believe that their concerns and anxieties during periods of change are heard and taken into considerations.	.951	.904	

Researchers most commonly utilise confirmatory factor analysis for construct validation of personality and psychopathology questionnaires (Prudon, 2015). It is one of the primary methods of factor analysis methods (Shiker, 2012). To assess the validity of the measurement model, the reality model is compared to the theoretical measurement model to determine how well the data fits. To check the measurement model validity, factor loadings can be used (Solutions, 2013).

One advantage of Bartlett factor scores is that this procedure produces unbiased estimates of the true factor scores (DiStefano et al., 2009). There is a test of sample adequacy called KMO which equals 0.942, the minimum acceptable score for this test is 0.5 (Samuels, 2016). Moreover, p-value for KMO and Bartlett's test is less than 0.05 for all dimensions which supports sample adequacy.

Samuels (2016) recommends excluding factor loadings less than 0.3. Most communality values for all components are greater than 0.5 which indicates high validity of these items. Most values of loadings are greater than 0.5 which indicates high correlation between these questions. Moreover, four questions had to be removed as they have communalities less than 0.3.

- Question one and two under the Communication construct (communication channels are clear and used; I have frequent one-to-one discussions with my supervisor to discuss how my goals align with the group and bank goals, my performance towards those goals and my personal development plan).
- Question one under Leadership and tone at the top (my leader encourages contribution in decision-making)
- Question three under Adaptability to environment (my banks reacts rapidly to environmental changes).

5.6 Correlation Analysis

The Pearson correlation was used to test the correlations among the variables corporate culture, corporate governance and performance. The correlation was tested for the presence of high collinearity among variables using the Pearson correlations. Table 5.6 presents the Pearson correlation with ROA and corporate culture; table 5.7 presents the Pearson correlation with ROE and corporate culture; table 5.8 shows the Pearson correlation with NIM and corporate culture; table 5.9 presents the Pearson correlation with ROA and corporate governance; table 5.10 presents the Pearson correlation with ROE and corporate governance; table 5.11 presents the Pearson correlation with NIM and corporate governance.

The correlation coefficients presented in tables 5.6, 5.7 and 5.8 indicate that there is a high correlation between the variables. Therefore, collinearity existed that could threaten the interpretation of regression coefficients of the independent variables in the first model. Moreover, all correlations among the independent variables were greater than 0.90 which is very high. Gujarati (2003) suggests that if the correlation is greater than 0.8, multicollinearity might be present.

On the other hand, the correlation coefficients shown in tables 5.9, 5.10 and 5.11 indicate that there is no high significant correlation between the independent variables. Therefore, collinearity could not threaten the interpretation of regression coefficients of the independent variables of the second model. The Pearson correlation showed that the highest correlation coefficient between board independence and frequency of meetings is 0.702 which indicates that the greater the board independence, the more need for meetings to keep them updated with the day-to-day activities. Furthermore, there is another significant relationship between frequency of meetings and bank size (0.337), indicating that the larger the bank size, the greater the need for meetings. Moreover, there is a significant correlation between age and bank size (0.496), recommending that the greater the age, the larger the bank in size.

Table 5.6: Correlation matrix between ROA and corporate culture

	ROA	Communication	Leadership and ethical tone at the top	Control	Adaptability	Sound risk culture	Commitment	Ethics and Integrity	Transparency	Accountability	Coordination and Integration
ROA	1.000										
Communication	0.746**	1.000									
Leadership and ethical tone at the top	0.801**	0.943**	1.000								
Control	0.746**	0.981**	0.937**	1.000							
Adaptability	0.731**	0.975**	0.907**	0.974**	1.000						
Sound risk culture	0.736**	0.983**	0.939**	0.971**	0.965**	1.000					
Commitment	0.737**	0.983**	0.924**	0.985**	0.989**	0.976**	1.000				
Ethics and Integrity	0.749**	0.975**	0.959**	0.957**	0.941**	0.985**	0.960**	1.000			
Transparency	0.690**	0.979**	0.922**	0.961**	0.968**	0.994**	0.978**	0.978**	1.000		
Accountability	0.708**	0.985**	0.915**	0.979**	0.987**	0.983**	0.994**	0.968**	0.988**	1.000	
Coordination and Integration	0.733**	0.974**	0.903**	0.978**	0.990**	0.969**	0.992**	0.949**	0.968**	0.989**	1.000

** indicates significance at 5% level. Results of table 5.6 show that there is a statistical significant correlation between ROA and Corporate culture. The correlation is between 0.690 and 0.801; this correlation is positive and very strong.

Table 5.7: Correlation matrix between ROE and corporate culture

	ROE	Communication	Leadership and ethical tone at the top	Control	Adaptability	Sound risk culture	Commitment	Ethics and Integrity	Transparency	Accountability	Coordination and Integration
ROE	1.000										
Communication	0.820**	1.000									
Leadership and ethical tone at the top	0.844**	0.943**	1.000								
Control	0.843**	0.981**	0.937**	1.000							
Adaptability	0.828**	0.975**	0.907**	0.974**	1.000						
Sound risk culture	0.812**	0.983**	0.939**	0.971**	0.965**	1.000					
Commitment	0.834**	0.983**	0.924**	0.985**	0.989**	0.976**	1.000				
Ethics and Integrity	0.797**	0.975**	0.959**	0.957**	0.941**	0.985**	0.960**	1.000			
Transparency	0.774**	0.979**	0.922**	0.961**	0.968**	0.994**	0.978**	0.978**	1.000		
Accountability	0.802**	0.985**	0.915**	0.979**	0.987**	0.983**	0.994**	0.968**	0.988**	1.000	
Coordination and Integration	0.837**	0.974**	0.903**	0.978**	0.990**	0.969**	0.992**	0.949**	0.968**	0.989**	1.000

** indicates significance at 5% level. Results of table 5.7 show that there is a statistical significant correlation between ROE and Corporate culture**.** This correlation is between 0.774 and 0.844; this correlation is positive and very strong

Table 5.8: Correlation matrix between NIM and corporate culture

	NIM	Communication	Leadership and ethical tone at the top	Control	Adaptability	Sound risk culture	Commitment	Ethics and Integrity	Transparency	Accountability	Coordination and Integration
NIM	1.000										
Communication	0.578**	1.000									
Leadership and ethical tone at the top	0.692**	0.943**	1.000								
Control	0.614**	0.981**	0.937**	1.000							
Adaptability	0.539**	0.975**	0.907**	0.974**	1.000						
Sound risk culture	0.595**	0.983**	0.939**	0.971**	0.965**	1.000					
Commitment	0.558**	0.983**	0.924**	0.985**	0.989**	0.976**	1.000				
Ethics and Integrity	0.649**	0.975**	0.959**	0.957**	0.941**	0.985**	0.960**	1.000			
Transparency	0.559**	0.979**	0.922**	0.961**	0.968**	0.994**	0.978**	0.978**	1.000		
Accountability	0.570**	0.985**	0.915**	0.979**	0.987**	0.983**	0.994**	0.968**	0.988**	1.000	
Coordination and Integration	0.565**	0.974**	0.903**	0.978**	0.990**	0.969**	0.992**	0.949**	0.968**	0.989**	1.000

** indicates significance at 5% level. Results of table 5.8 show that there is a statistical significant correlation between NIM and Corporate culture**.** This correlation is between 0.558 and 0.692; this correlation is positive and moderate.

Table 5.9: Correlation matrix between ROA and corporate governance

	log_ROA	BdSize	Bdindep.	Freq. meet	CEO Dual	LSIZE	Age	Aud. quality
log-ROA	1.000							
BdSize	-0.357**	1.000						
Bdindep.	0.235	-0.118	1.000					
Freq.meet	0.056	-0.305***	0.702*	1.000				
CEO Dual	-0.310***	0.143	-0.330***	-0.162	1.000			
LSIZE	-0.179	-0.603*	0.187	0.337***	-0.056	1.000		
Age	-0.624*	-0.074	0.265	0.135	0.196	0.496*	1.000	
Aud. quality	0.311***	-0.245	0.298***	0.373**	-0.086	0.214	-0.093	1.000

*, **, *** indicates significance at 1%, 5% and 10% levels, respectively. Results of table 5.9 show that there is a statistical significant correlation between ROA and corporate governance**.** This correlation is between -0.357 and -0.624; this correlation is negative and moderate.

Table 5.10: Correlation matrix between ROE and corporate governance

	log_ROE	BdSize	BdIndep.	Freq.Meet	CEODual	LSIZE	Age	Audit Quality
log_ROE	1.000							
BdSize	-0.121	1.000						
BdIndep.	0.627*	-0.118	1.000					
Freq.Met	0.635*	-0.305***	0.702*	1.000				
CEODual	-0.371**	0.143	-0.330***	-0.162	1.000			
LSIZE	0.269	-0.603*	0.187	0.337***	-0.056	1.000		
Age	0.240	-0.074	0.265	0.135	0.196	0.496*	1.000	
Audit Quality	0.350***	-0.245	0.298***	0.373**	-0.086	0.214	-0.093	1.000

*, **, *** indicates significance at 1%, 5% and 10% levels, respectively. Results of table 5.10 show that there is a statistical significant correlation between ROE and corporate governance**.** The correlation was between 0.627 and 0.635; this correlation is positive and moderate. Also, there is a negative correlation between ROE and CEO duality; -0.371.

Table 5.11: Correlation matrix between NIM and corporate governance

	NIM	BdSize	BdIndep.	Freq.meet	CEO Dual	LSIZE	Age	Audit Quality
NIM	1.000							
BdSize	-0.342***	1.000						
BdIndep.	0.363**	-0.118	1.000					
Freq.meet	0.230	-0.305***	0.702*	1.000				
CEO Dual	0.576*	0.143	-0.330***	-0.162	1.000			
LSIZE	0.135	-0.603*	0.187	0.337***	-0.056	1.000		
Age	-0.127	-0.074	0.265	0.135	0.196	0.496*	1.000	
Audit Quality	0.380**	-0.245	0.298***	0.373**	-0.086	0.214	-0.093	1.000

*, **, *** indicates significance at 1%, 5% and 10% levels, respectively. Results of table 5.11 show that there is a statistical significant correlation between NIM and corporate governance**.** The correlation was between 0.363 and 0.576; this correlation is positive and moderate.

5.7 Hypotheses Testing

As mentioned previously, the VIF values for the first model were very high. The researcher used the ridge regression using STATA in the first model to resolve the problem of multicollinearity as ridge regression has proved to be a valuable tool for use (McDonald, 2009). Ridge estimation is an alternative to ordinary least squares when there exists a collinearity problem in a linear regression model. It is the most commonly applied method to analyse data by reducing the effects of multicollinearity (Garcia et al., 2015).

Regarding the second model, as mentioned before a normality test was performed using skewness and Kurtosis, where ROA and ROE showed high skewness and kurtosis. Therefore, the researcher used log ROA and log ROE. The Shapiro-Wilk test was performed after transformation and p-values were above 0.05 which shows normality according to Ghasemi and Zahediasl (2012). After meeting the OLS assumptions, the researcher used the OLS regression using SPSS 24.

5.8 Results and Discussions of the First Empirical Model

This section presents and discusses the first empirical model that examines the relationship between corporate culture and bank financial performance. Transparency, communication, commitment, accountability, coordination and integration, adaptability, leadership and tone at the top, ethics and integrity, sound risk culture and control are the dimensions used to measure the corporate culture. On the other hand, return on assets, return on equity and net interest margin are the variables used to measure bank financial performance in the regression. The regression results for this relationship will be illustrated and discussed.

According to the above discussion, 30 sub-hypotheses will be formulated and tested. Table 5.12 shows corporate culture sub-hypotheses.

Table 5.12: Corporate culture sub-hypotheses

Corporate culture sub-hypotheses	
H1-1	There is a positive relationship between Transparency and ROA.
H2-1	There is a positive relationship between Accountability and ROA.
H3-1	There is a positive relationship between Control and ROA.
H4-1	There is a positive relationship between Coordination and Integration and ROA.
H5-1	There is a positive relationship between Adaptation to environment and ROA.
H6-1	There is a positive relationship between sound Risk culture and ROA.
H7-1	There is a positive relationship between Leadership and Tone at the top and ROA
H8-1	There is a positive relationship between Ethics and Integrity and ROA.
H9-1	There is a positive relationship between Commitment and ROA.
H10-1	There is a positive relationship between Communication and ROA.
H1-2	There is a positive relationship between Transparency and ROE.
H2-2	There is a positive relationship between Accountability and ROE.
H3-2	There is a positive relationship between Control and ROE.
H4-2	There is a positive relationship between Coordination and Integration and ROE.
H5-2	There is a positive relationship between Adaptation to environment and ROE.
H6-2	There is a positive relationship between sound Risk culture and ROE.
H7-2	There is a positive relationship between Leadership and Tone at the top and ROE
H8-2	There is a positive relationship between Ethics and Integrity and ROE.
H9-2	There is a positive relationship between Commitment and ROE.
H10-2	There is a positive relationship between Communication and ROE.
H1-2	There is a positive relationship between Transparency and NIM.
H2-3	There is a positive relationship between Accountability and NIM.
H3-3	There is a positive relationship between Control and NIM.
H4-3	There is a positive relationship between Coordination and Integration and NIM.
H5-3	There is a positive relationship between Adaptation to environment and NIM.
H6-3	There is a positive relationship between sound Risk culture and NIM.
H7-3	There is a positive relationship between Leadership and Tone from the top and NIM.
H8-3	There is a positive relationship between Ethics and Integrity and NIM.
H9-3	There is a positive relationship between Commitment and NIM.
H10-3	There is a positive relationship between Communication and NIM.

The results of the Ridge regression used in testing the relationship between corporate culture and bank financial performance is represented below:

Table 5.13: Ridge regression results of the first empirical model

	Model 1 ROA			**Model 2 ROE**			**Model 3 NIM**		
Independent variables	Coefficient	t	Sig.	Coefficient	t	Sig.	Coefficient	t	Sig.
Constant	6.12413	0.479	0.639	34.9268	0.043	0.967	2.1974	0.520	0.611
Transparency	1.45042	2.736	0.016**	7.42465	2.682	0.018**	0.637309	0.610	0.552
Accountability	0.771536	0.556	0.587	3.84217	0.347	0.734	0.277144	1.472	0.163
Control	0.0775049	1.490	0.158	3.79373	1.209	0.247	1.16895	0.901	0.383
Coordination and Integration	0.517401	0.472	0.644	5.14277	0.309	0.762	0.325565	0.965	0.351
Adaptability	0.656726	1.059	0.308	3.53983	0.406	0.691	0.688888	0.874	0.397
Sound risk culture	0.506376	2.355	0.034**	3.31512	2.691	0.018**	0.00996006	0.020	0.984
Leadership and ethical tone at the top	1.92108	0.529	0.605	10.2211	1.260	0.228	1.56977	1.867	0.083***
Ethics and Integrity	0.461332	0.585	0.568	3.00828	0.706	0.492	1.19238	0.328	0.748
Commitment	0.290306	1.531	0.148	3.03433	1.532	0.148	0.613675	1.733	0.105
Communication	0.230395	0.004	0.997	0.610016	0.382	0.708	0.742571	1.273	0.224
Adjusted R square	0.686			0.805			0.510		
F	6.246			10.928			3.495		
Sig.F	.001			.000			.016		
No. of banks	23			23			23		

*, **, *** indicates significance at 1%, 5% and 10% levels, respectively.

5.8.1 Return on Assets as a dependent variable

Corporate culture (independent variables) has been regressed against the ROA (dependent variable). According to table 5.13, the Adjusted R square equals to 0.686, and this indicates that corporate culture explains 68.6% of any change in the performance (ROA). In addition, the regression model is statistically significant when the **F test** 6.246 is significant at level of confidence 0.95.

5.8.2 Return on Equity as a dependent variable

Corporate culture (independent variable) has been regressed against the ROE (dependent variable). As shown in table 5.13, the Adjusted R square equals to 0.805; this indicates that corporate culture explains 80.5% of any change in the performance (ROE). In addition, the regression model is statistically significant when the **F test** 10.928 is significant at level of confidence 0.95.

Table 5.13 shows a positive and significant relationship between transparency and ROA and ROE, so H1-1 and H1-2 have been accepted. Furthermore, there is a positive and significant relationship between sound risk culture and ROA and ROE. Therefore, H6-1 and H6-2 has also been accepted. This finding was in line with Kpodo and Agyekum (2015) that risk culture has a positive effect on organisational performance. This research shows that transparency and sound risk culture can increase performance, emphasising the need for transparency and sound risk culture to have clear and broad lines to serve as a guideline for employees. All other variables have been rejected: (H2-1, H3-1, H4-1, H5-1, H7-1, H8-1, H9-1, H10-1 and (H2-2, H3-2, H4-2, H5-2, H7-2, H8-2, H9-2 and H10-2). The table shows that there is a positive but insignificant relationship between accountability, control, coordination and integration, adaptation to environment, leadership and tone at the top, ethics and integrity, commitment and communication and ROA and ROE. This is consistent with Yesil and Kaya (2013) showing that there is no relationship between cultural attributes and performance.

5.8.3 Net Interest Margin as a dependent variable

Corporate culture (independent variable) has been regressed against the net interest margin (dependent variable). As shown in table 5.13, the Adjusted R square equals to 0.510, and this indicates that corporate culture explains 51% of any change in the performance (NIM). In addition, the regression model is statistically significant when the **F test** 3.495 is significant at level of confidence 0.90.

Table 5.13 shows a positive and significant relationship between Leadership and Tone at the top and NIM; so H7-3 is accepted. While all other variables have been rejected: H1-3, H2-3, H3-3, H4-3, H5-3, H6-3, H8-3, H9-3 and H10-3. The table shows a positive but insignificant relationship between accountability, control, coordination and integration, adaptation-to- environment, ethics and integrity, commitment and communication and net interest margin. This is inconsistent with the findings of Abdul Rashid et al. (2003) who suggested that corporate culture affects the profitability measures of organisational performance in their study in Malaysia.

The researcher conducted robustness check to determine how conclusions will change when using an alternative estimation technique; it is attached in Appendix L. The same results prevail. There is a significant and positive relationship between transparency and performance (ROA and ROE), sound risk culture and Performance (ROA and ROE), as well as positive significant relationship between Leadership and tone at the top with NIM.

5.8.4 Discussion

The findings of the previous studies had inconsistent results regarding the relationship between corporate culture and performance. This could be owing to measuring of corporate culture from different perspectives whether from corporate culture dimensions, corporate culture types or corporate culture values. Moreover, different measures for performance could have yielded mixed results.

Denison (1990), Peters and Waterman (1982), Denison and Mishra (1995), Kotter and Heskett (1992) highly advocate that organisational culture has an influence on organisational performance. Flamholtz's study (2001) found that organisational culture has an impact on financial performance. The findings of Abdul Rashid et al. (2003) support the view that corporate culture has an impact on financial performance according to their study in Malaysia. According to Oparanma's (2010) study of four banks in Nigeria, there is a positive relationship between culture and performance suggesting that the right culture should be in place and that when the core values of the organisation shared widely among employees, they get committed to the organisation's objectives leading to increased productivity. Moreover, Zehir et al. (2011) found a positive relationship between corporate culture and firm performance implying that corporate culture seems to be the key for leadership styles and that organisations should focus on organisational culture to attain business performance outcomes. Furthermore, Zakari et al.'s (2013) study of nine banks in Ghana, replicating Denison's (1990) model, found organisational culture to be positively related to performance.

The findings of this study suggest that there is a positive and significant relationship between transparency and ROA and ROE and a positive relationship between sound risk culture and ROA and ROE. This finding is supported by Kpodo and Agyekum (2015) who suggest that risk culture is an important variable in achieving sustained organisational performance implying that risk management practices should aim at developing appropriate behaviours instead of merely being a checkbox exercise. To achieve the desired risk culture in the organisation will however require efforts from all stakeholders including top management, senior executives, managers and staff. Moreover, the findings of this study suggest that there is a positive significant relationship between leadership and tone at the top and NIM, emphasizing the importance of the role played by leadership and how the tone at the top shapes the behaviour of subordinates and the staff in general. The leadership is vital in implementing the risk culture procedures as well as being transparent to prevail any risk issues that requires a prompt response.

On the other hand, Yesil and Kaya's (2013) study in Turkey of corporate culture showed that none of the organisational culture dimensions are related to firm performance measured in ROA and sales growth, suggesting no relationship exists between cultural dimensions and financial performance. Moreover, according to Wibowo's (2008) study of Indonesian companies, he found no relationship between organisational culture and financial performance. In line with these findings, this research found that there is a positive but insignificant relationship between communication, accountability, coordination and integration, control, commitment, ethics and integrity and adaptation to environment with any of the performance measures. Ali et al. (2017) suggest considering the differences between developed and developing countries, recommending that other factors could interfere in this relationship such as political, unstable economic conditions and environmental instability.

Moreover, several studies found mixed results regarding the relationship between corporate culture and performance. Naranjo-Valencia et al. (2016) recommended that culture can enhance performance or even worsen it depending on the values promoted by culture. According to Booth and Hamer's (2009) study in UK, that there are negative as well as positive relationships between corporate culture and performance. Moreover, Ogbonna and Harris (2000) found mixed results, indicating that competitive and innovative cultural traits are directly related to performance, while community and bureaucratic cultural traits are not directly linked to performance. Rose et al.'s (2008) study of Hofstede's culture in American, Japanese, European and Malaysian MNCs operating in Malaysia found significant relationships between all of the four culture dimensions and performance in American and Malaysian MNCs and a positive correlation between two of the culture dimensions with performance in European MNCs. Moreover, only one of the cultural dimensions showed a significant relationship with performance in Japanese MNCs.

Other studies suggested that corporate culture can influence performance through a mediating variable. Tseng's (2010) study of 650 largest Taiwanese corporations indicates that organisational culture has an indirect effect on performance and organisational culture affects performance through a mediator such as knowledge conversion. Moreover, Zheng et al. (2010) found knowledge management to mediate corporate culture's effect on firm's effectiveness, implying that corporate culture has an insignificant impact on organisational performance in the presence of a mediator. This highlights the inadequacy of merely examining the direct relationship between corporate culture and organisational effectiveness rather than specific mechanisms that affect the link between organisational culture and performance. Xiaoming and Junchen (2012) suggest that corporate culture is just one factor of the many variables that could contribute to explaining performance. Thus, it could serve as a mediating variable. They also emphasised the importance of considering non-financial measures such as job satisfaction and turnover rate and not only financial measures shall be considered.

These mixed results could be a result of inconsistent measures of corporate culture and performance measures as well as lack of consideration of non-financial measures. It could also be explained through developed and developing countries. For instance, Egypt is an emerging country having political and economic problems and unstable conditions that could affect the performance of the banking industry.

5.9 Results of the Second Empirical Model

This section presents and discusses the second empirical model that examines the relationship between corporate governance and bank financial performance. Board independence, frequency of meetings, CEO duality and board size, are the dimensions used to measure the board characteristics. Meanwhile, return on assets, return on equity and net interest margin are used to measure bank financial performance in the regression. Bank size, age and audit quality are used as control variables. The regression results for this relationship will be illustrated and discussed.

According to the above discussion, twelve sub-hypotheses will be formulated and tested. Table 5.14 presents these twelve statements.

Table 5.14: Corporate governance sub-hypotheses

Corporate governance sub-hypotheses	
H1-1	There is a positive relationship between Frequency of meetings and ROA.
H2-1	There is a negative relationship between Board size and ROA.
H3-1	There is a positive relationship between Board independence and ROA.
H4-1	There is a negative relationship between CEO duality and ROA.
H1-2	There is a positive relationship between Frequency of meetings and ROE.
H2-2	There is a negative relationship between Board size and ROE.
H3-2	There is a positive relationship between Board independence and ROE.
H4-2	There is a negative relationship between CEO duality and ROE.
H1-3	There is a positive relationship between Frequency of meetings and Net interest margin.
H2-3	There is a negative relationship between Board size and Net interest margin.
H3-3	There is a positive relationship between Board independence and Net interest margin.
H4-3	There is a negative relationship between CEO duality and Net interest margin.

The results of the ordinary least square (OLS) regression used in testing the relationship between corporate governance and bank financial performance are presented below:

Table 5.15: OLS regression results of the second empirical model

	Model 1 ROA			Model 2 ROE			Model 3 NIM		
Independent variables	Coefficient	t	Sig.	Coefficient	t	Sig.	Coefficient	t	Sig.
Constant	1.289	5.238	0.000*	-19.635	-0.560	0.584	7.379	1.800	0.092
Freq. meet	-0.082	-3.381	0.004*	2.794	1.702	0.109	-0.111	-0.579	0.571
BdSize	-0.085	-4.448	0.000*	0.950	0.622	0.543	-0.219	-1.226	0.239
BdIndep.	1.271	4.801	0.000*	6.724	0.377	0.711	1.610	0.772	0.452
CEO Dual	0.057	0.837	0.414	-7.160	-1.592	0.132	1.149	2.184	0.045**
LSIZE	-0.630	-0.776	0.450	0.215	0.037	0.971	-0.254	-0.376	0.712
Audit quality	0.616	1.033	0.318	3.890	0.920	0.372	0.676	1.368	0.192
Age	-0.009	-7.137	0.000*	0.097	0.975	0.345	-0.001	-0.070	0.945
Adjusted R Square	0.763			0.374			0.279		
F	15.181			2.878			2.216		
Sig. F	.000			.041			.093		
No. of banks	23			23			23		

*, **, *** indicates significance at 1%, 5% and 10% levels, respectively.

5.9.1 Return on Assets as a dependent variable

Board characteristics (independent variables) have been regressed against the ROA (dependent variable). According to table 5.15, the Adjusted R square equals to 0.763, indicating that board characteristics explain 76.3% of any change in the performance (ROA). In addition, the regression model is statistically significant when the **F test** 15.181 is significant at level of confidence 0.99. Table 5.15 shows the following:

H1-1: the results showed that there is a negative and significant relationship between frequency of meetings and ROA, indicating that the frequency of meetings decreases performance. This is consistent with Johl et al. (2015) who found a negative relationship between the frequency of meetings and ROA while Ntim and Osei (2011) found a positive relationship between frequency of meetings and performance. Consequently H1-1 was rejected.

H2-1 is consistent with research expectations; the results showed a negative and significant relationship between board size and ROA, which is supported by Mak and Kusnadi (2005) who found a negative relationship between board size and firm performance, while Al-Matari et al. (2012) and Anis et al. (2017) showed an insignificant relationship between board size and ROA. This result differs from that of other studies that found a positive significant relationship between board size and performance such as Ehikioya (2009). Thus H2-1 was accepted.

For H3-1, the results showed a positive and significant relationship between board independence and ROA, implying that the board independence has a positive effect on performance supported by Anis et al. (2017) and Gunasekar and Dinesh (2014). Other studies found an inverse relationship between board independence and performance such as Horvath and Spirollari (2012). Meanwhile, Akpan and Amran (2014) and Johl et al. (2015) found insignificant relationship between board independence and performance, which is accepted and consistent with H3-1.

For H4-1, the results showed a positive and insignificant relationship between CEO duality and ROA, supported by Moscu (2013) who found insignificant relationship between CEO duality and performance measured in ROA and ROE. CEO duality was found to have a positive significant effect on ROA by Al-Matari et al. (2012), which is not accepted and inconsistent with this research hypothesis.

For the control variables, audit quality showed a positive and insignificant relationship with performance while bank size showed a negative and insignificant relationship with performance. Age showed a negative and significant relationship with ROA.

5.9.2 Return on Equity as a dependent variable

Board characteristics (independent variables) were regressed against the ROE (dependent variable). As shown in table 5.15, the coefficient of determination (Adjusted R square) equals to 0.374, and this indicates that board of directors' characteristics explains 37.4% of any change in the performance (ROE). In addition, the regression model statistically significant when the **F test** 2.878. Table 5.15 shows the following:

H1-2: based on the agency theory, this research predicts a positive relationship between frequency of meetings and performance. The results showed that there is a positive but insignificant relationship between board meetings and ROE. Thus, there is no relationship between frequency of meetings and performance, indicating that frequency of meetings can be a response to the need for decision-making in the day-to-day activities according to work needs rather than being more or less frequent. Accordingly, H1-2 is rejected.

Inconsistent with H2-2, which states that there is a negative relationship between board size and performance, the results showed a positive but insignificant relationship between board size and ROE. This indicates that board size has no influence on performance. This supports the findings of Sarkar and Sarkar (2016). While, Yermack (1996) found an inverse relation between board size and firm value as well as Sherif and Anwar (2015), suggesting that large board size decreases performance.

For H3-2, the results showed a positive but insignificant relationship between board independence and ROE, implying that board independence cannot influence performance; thus H3-2 is rejected. This finding is in line with Bhagat and Black (2001) and Ghosh (2003).

For H4-2, a negative relationship between CEO duality and ROE was expected. The results showed a positive but insignificant relationship between CEO duality and ROE. Thus H4-2 was rejected as it was inconsistent with the agency theory. Grove et al.'s (2011) study of US commercial banks show that CEO duality is negatively associated with performance. This emphasises the difference between developed and developing countries.

The control variables bank size, age and audit quality showed a positive and insignificant relationship with ROE.

5.9.3 Net Interest Margin as a dependent variable

As shown in table 5.15, board characteristics (independent variables) were regressed against the net interest margin. The coefficient of determination (Adjusted R square) equals to 0.279, and this indicates that board characteristics explain 27.9% of any change in the performance (NIM). In addition, the regression model statistically significant when the **F test** 2.216 is significant at level of confidence 0.95. Table 5.15 shows the following:

H1-3 expects a positive relationship between frequency of meetings and bank financial performance measured in NIM. The results showed that there is a negative but insignificant relationship between frequency of meetings and NIM that is consistent with H1-2. Accordingly, H1-3 is rejected. This is different from the findings of Grove et al. (2011) recommending that frequent board meetings enhance performance, similar to the findings of Sherif and Anwar (2015).

Consistent with this research's hypotheses, board size showed a negative but insignificant relationship between board size and NIM. Uadiale (2010) found a strong positive relationship between board size and performance. Jensen (1993) suggested that small boards can help improve performance. Thus H2-3 was rejected.

For H3-3, the results showed a positive but insignificant relationship between board independence and NIM. Thus H3-3 was rejected. This result is consistent with ROE, and with findings of Abdullah (2004), where board independence is not associated with performance as well as Mak and Kusnadi (2005). Sandada et al. (2015) discovered that board independence decreases performance.

Inconsistent with H4-3, which predicts that CEO duality negatively affects performance, the results showed a positive and significant relationship between CEO duality and NIM. This differs from the study of Jensen (1993) that recommended the importance of separating the CEO and Chairman Positions as well as Sandada et al. (2015) who found a negative association between CEO duality and performance.

There is a positive and insignificant relationship between audit quality and NIM, and a negative and insignificant relationship between bank size, age and NIM.

5.9.4 Discussion

This research is mainly based on the agency theory, using the data of 23 banks in Egypt to examine the relationship between corporate governance and performance. The research findings show an insignificant relationship between frequency of meetings and performance measured in ROE and NIM. Moreover, it shows a negative and significant relationship between frequency of meetings and ROA. This is inconsistent with the agency theory that supports the frequent meetings by the board to manage the firm and discuss any prevailing problems within the company. This is also consistent with Johl et al. (2015) who found a negative relationship between frequency of meetings and ROA suggesting that board meetings are a reaction to weak performance. Bathula (2008) showed that board meetings affect performance negatively.

On the other hand, Ntim and Osei (2011) found a positive relationship between the number of meetings and organisation's performance, indicating that boards that hold more frequent meetings are more likely to generate higher financial performance, defending the agency theory and suggesting that corporate board of directors that meeting more frequently can increase capacity to advise, monitor and discipline management effectively. This leads to development and improvement in financial performance. Furthermore, Sobhy et al. (2017) found that board meetings has a positive impact on performance measured in NIM. Sherif and Anwar (2015) found that board meetings improve bank's performance.

Regarding board size, the results of this research show that board size has a positive and insignificant impact on ROE and negative and insignificant relationship with NIM. This is consistent with Horvath and Spirollari (2012) who showed that board size has no effect on firm performance. The study also shows that there is a negative and significant relationship between board size and ROA. This is consistent with Uwuigbe and Fakile's (2012) study of listed banks in Nigeria that found a negative relationship between board size and bank financial performance, suggesting that the increase in board size leads to increase in agency problems. Moreover, Rachdi and Ameur (2011) showed that a small board in banks lead to enhanced performance. Additionally, Dogan and Yildiz's (2013) study of banks in Turkey showed a significant but negative relationship between board size and ROA, while a negative but insignificant relationship between board size and Tobin's Q. Mak and Kusnadi's (2005) and Guest's (2009) study in UK showed a negative relationship between board size and performance. De Andres and Vallelado's (2008) study of 69 boards of large commercial banks from France, Canada, UK, Spain, Italy and U.S. for the period 1995–2005 found that smaller boards are more efficient, suggesting that board size is a trade-off between pros of more monitoring, more competencies and more advising to deal with problems while cons of coordination and free-riding problems. This argument is based on the premise that large boards tend to involve less meaningful discussions that only consume time and lead to problems in achieving cohesiveness (Anis et al., 2017).

This is inconsistent with Al-Matari et al. (2012) who found an insignificant relationship between board size and ROA according to their study in Kuwait of non-financial listed firms for the year 2009. Moreover, Ghabayen (2012) found no significant relationship between board size and performance measured in ROA. Bonn et al. (2004) found mixed results; they found an insignificant relationship between board size and performance in Australian firms and an inverse relation between board size and performance in Japanese firms. This suggests that board members are selected for their business relationships regardless of their number instead of their potential contribution to firm performance. Moreover, Anis et al. (2017) found no relationship between board size and performance (ROA) in Egypt, suggesting that this could be due to a firm's specific and national characteristics. Egypt has different institutional settings than that of the US and European countries.

Akpan and Amran's (2014) study of 90 firms in the Nigerian stock exchange from 2010–2012 found a positive relationship between board size and performance, implying that large board size is beneficial for the organisation in terms of access to resources, contribution of more skills, experiences and expertise to the firm's financial performance. Moreover, Johl et al. (2015) showed that board size has a positive impact on performance, recommending that firms should have large boards similar to Ehikioya (2009); Gunasekar and Dinesh (2014); Belkhir (2008) and Uadiale (2010). Adams and Mehran (2003) found that board in banks are larger than those of manufacturing firms. Moreover, Al Sahafi et al. (2015) found a positive significant relationship between board size and ROA, ROE and Tobin's Q.

Consistent with the agency theory, the results of this research show a positive and significant relationship between board independence and ROA. This is consistent with Al Sahafi et al. (2015); Gunasekar and Dinesh (2014) who discovered a positive relationship between board independence and performance. Bebeji et al. (2015) showed a positive significant relationship between board composition and ROA. Additionally, De Andres and Vallelado (2008) support the presence of board independence, suggesting that it prevents and decreases the conflicts of interests among stakeholders monitoring and advising functions are fulfilled in an efficient manner. This study also showed a positive and insignificant relationship between board independence and ROE and NIM. This was in line with the findings of Akpan and Amran (2014), John et al. (2015) and Drakos and Bekiris (2010) where there is no association between board independence and performance. While, Shukeri et al. (2012), Horvath and Spirollari (2012) and Ghabayen (2012) showed that board independence has a negative impact on performance.

Nazar's (2014) study of 116 non-financial public-listed companies in Srilanka found an insignificant negative relationship between board composition and ROA. Also Sobhy et al. (2017) discovered an inverse relation between board independence and performance measured in ROA supporting the stewardship theory. Meanwhile, Anis et al. (2017) found a significant positive association between board composition and performance and argued that independence is rare and non-existent in Egyptian boards. Accordingly, external directors on Egyptian boards are considered ineffective in the monitoring function.

Inconsistent with the agency theory, this study's results are mixed regarding CEO duality. CEO duality has a significant and positive impact on NIM, implying that CEO duality enhances performance of banks in Egypt. This is in line with Sobhy et al.'s (2017) findings that show a positive relationship between CEO duality and NIM. The research results also show a positive and insignificant relationship between CEO duality and ROA and a negative and insignificant relationship with ROE. This is consistent with Drakos and Bekiris (2010) who discovered no association between CEO duality and performance.

Similarly, Moscu (2013) found insignificant relationship between CEO duality and performance measured in ROA and ROE. On the other hand, Nazar (2014) showed a significant but negative relationship between CEO duality and ROA. Moreover, Jensen (1993) stressed the importance of separating the CEO and Chairman positions. CEO duality was found to have a positive impact on ROA (Al- Matari, 2012; (Bathula, 2008), supporting the stewardship theory.

The results of this study are consistent with those of emerging economies regarding board characteristics, ROE and NIM. Board meetings seem to have no effect on performance in Oman (Al Matari et al., 2014). Moreover, there is no association between board size and performance in Egypt (Anis et al., 2017). The independence of directors had an insignificant impact on performances in Nigeria (Akpan and Amran, 2004), Korea (Choi and Hasan, 2005) and Malaysia (Haniffa and Hudaib, 2006), suggesting that it is not essential to have independent boards as most independent directors in developing countries are not selected due to their experience but for their connections. CEO duality has a positive impact on performance measured in NIM in Kuwait (Al-Matari, 2012) and a positive insignificant effect on ROE and ROA. This is similar to Sobhy et al.'s (2017) study in Asian countries. Thus, they are unable to contribute to independent monitoring, reducing agency conflicts or even contributing to higher performance. This is due to poor quality of information, social, cultural and economic conditions. The different characteristics of different theories depend on the culture within each organisation. Mulili and Wong (2011) mention that practices of corporate governance in developed countries are not applicable in developing countries due to economic, technological, political and cultural differences. This suggests that there is a necessity to introduce models of corporate governance that consider the conditions in developing countries. Abdullah (2004) suggests that CEO duality and leadership has a positive impact on performance (NIM), similar to this study's results which shows that performance can be enhanced when leadership and control lies in the hand of one person. This indicates that this is successful in Egypt.

Further findings of this research show a significant and negative relationship between frequency of meetings and ROA, the same like Bathula (2008). Moreover, a negative relationship between board size and ROA and a positive relationship between board independence and ROA was found, the same results of Bebeji et al. (2015). Finally, no significant relationship was found between CEO duality and ROA.

For the control variables, bank size showed an insignificant association with performance similar to Borlea et al. (2017) and Al-Matari et al. (2012). Audit quality showed a positive insignificant relation with performance and bank age showed a positive and insignificant relationship with ROE, while showing a negative and insignificant relationship with NIM in line with Dogan and Yildiz (2013). However, bank age showed a negative and significant relationship with ROA.

5.10 Summary

This chapter described the analysis of the data using multiple regression modelling. In the first part of this chapter, Delphi technique results as well as questionnaire demographics and instrument reliability were presented. This chapter also presented the correlation analysis and testing of the hypotheses and the results followed by discussions.

Chapter Six: Summary and Conclusion

6.1 Introduction

This study seeks to analyse the underlying relationships between corporate culture, corporate governance and financial performance of banks through the statistical analysis of data, to determine how corporate culture and governance affect financial performance represented in return on assets, return on equity and net interest margin applied on banks in Egypt. It does so by addressing "Governance" as a systematic approach to management and control of organisations that establishes a framework to determine the interrelationships between different parties within and outside the organisations and define the respective responsibilities of the board of directors in reducing conflicts of interest and limiting agency problems.

Governance has gained prominence in the financial sector due to the growing systemic risk and contagion that may transcend geographically to other institutions, as seen in 2008 when a major financial crisis led to the collapse of many banks and financial institutions in different regions of the world. Such bankruptcy and the collapse of banks and financial institutions can be accrued to poor governance, as reported by the Association of Chartered Certified Accountant. The report also pointed out the board of directors' weakness in performing their role of banking management, supervision, strategic direction, control and understanding of risks as well as their lack of adequate training to ensure strong governance and control that monitors management performance (ACCA, 2008).

This chapter summarises the whole study with its major findings, starting with a summary of the research methodology and followed by a summary of the research findings. Then, the contributions of the study are emphasised. Finally, the research limitations and future research recommendations are presented.

6.2 Summary of Research Methodology

This research aimed to investigate the impact of corporate culture and corporate governance on the financial performance of banks in Egypt. Two models have been introduced along with a list of hypotheses. The sample used for testing models is derived from questionnaires as primary data, through a collection of 522 questionnaires from bank employees, also from the Egyptian stock exchange database, banks' annual reports and Bankscope. This research focuses only on banks due to their importance and critical role in the economy. A final sample of 23 Egyptian banks was gathered. This research covered a time period of 5 years from 2010 to 2014. The ridge and OLS regression have been used as a statistical method for testing the hypotheses.

6.3 Research Findings

The empirical investigation of the hypotheses revealed mixed results. The findings of the research hypotheses are summarised as follows:

Hypothesis 1 stated that transparency is perceived to have a positive effect on bank performance. The results are consistent with this and indicate that there is a positive significant relationship between transparency and ROA, as well as a positive significant relationship between transparency and ROE. This implies the necessity for awareness among employees to make their work much more planned and their concerns more well-identified and determined.

Hypothesis 2 stated that accountability is perceived to have a positive effect on performance. However, the results are inconsistent with this and indicate that accountability has an insignificant positive relationship with performance.

Hypothesis 3 expected that control is perceived to have a positive effect on performance. The positively-signed insignificant relationship showed in the results rejects this researcher's argument and hypotheses.

Hypothesis 4 predicted that coordination and integration has a positive effect on performance. The positively-signed insignificant relationship showed that coordination and integration have no impact on performance.

Hypothesis 5 supposed that adaptation to environment has a positive effect on performance. A positive insignificant association was found between adaptability and bank performance. Thus, the results indicate that adaptability to environment has no effect on performance.

Hypothesis 6 was supported by strong evidence suggesting a positive and significant relationship between risk culture and ROA, as well as a positive significant relationship between risk culture and ROE. This implies the importance of risk culture and how it can enhance performance within the Egyptian banking sector.

Hypothesis 7 stated that leadership and tone at the top have a positive effect on bank performance. The results show a positive and significant relationship between leadership and NIM, emphasising the importance of the role played by leaders in enhancing the performance of banks in Egypt.

Hypothesis 8 was not supported and the lack of evidence indicated a positive and insignificant relationship between ethics and integrity and performance.

Hypothesis 9 predicted that commitment has a positive impact on performance. The results of this research reject this hypothesis, which indicates that there is no relationship between commitment and performance.

Hypothesis 10 was not supported as the results show a positive and insignificant association between communication and performance.

Hypothesis 11 contrasted the second model, which suggested that the frequency of meetings has a positive association with performance. It was found that the frequency of meetings are positively and insignificantly associated with ROE and NIM. Also, the results show a negative and significant relationship between board meetings and ROA, suggesting that efficient meetings are required to discuss and resolve problems on a more or less frequent basis.

Hypothesis 12 was challenged by the results that revealed an insignificant relationship between board size and ROE and NIM. However, the research found a negative relationship between board size and ROA, which is consistent with the hypotheses.

Hypothesis 13 predicted that board independence and bank performance are positively related. The insignificant positively signed coefficient of board independence rejects the hypotheses regarding the relationship between board independence and ROE and NIM. However, the research results showed that board independence has a positive effect on ROA.

Hypothesis 14 was rejected as this research found that CEO duality and NIM are positively and significantly related. The results suggest that one person holding the same positions of CEO and Chairman enhance performance within the banking industry in Egypt. Additionally, an insignificant relationship was found between CEO duality and ROA and ROE.

In summary, the overall results revealed that corporate culture and board characteristics affect bank financial performance.

6.4 Contributions of the Study

This study provides academics and practitioners with a clear sight of the impact of corporate culture and corporate governance on bank performance in Egypt. This research is the first to study the effect of corporate culture and corporate governance on bank performance in Egypt. It is also one of the very few studies conducted to examine the relationship between board characteristics and performance in Egypt, especially with respect to the banking industry. Thus, this research introduces a unique theoretical contribution to knowledge by investigating the effect of corporate culture and the board of directors' characteristics on bank financial performance in Egypt. It did so by developing a multiple regression model to show the relationship between corporate culture and the bank's financial performance, as well as the relationship between corporate governance and the bank's financial performance in Egypt.

This study made a significant contribution towards the understanding of the impact of corporate culture and corporate governance on bank performance in Egypt. Its results emphasise the importance of corporate culture within the banking system in Egypt. It must be noted that no previous study in Egypt has tackled these corporate culture variables with respect to corporate governance and their effect on performance. Furthermore, no studies have been conducted to understand the corporate culture within the Egyptian context since the nineties.

This research's findings proved that the relationship between transparency and ROA and ROE is significant and positive. This means that the presence of transparency increases awareness of employees within banks in Egypt and this transparency is crucial for increased performance. Also, these findings showed evidence that a sound risk culture has a positive significant impact on ROA and ROE. This indicates that effective risk management, in terms of risk control process that is appropriate, clear and timely effective, risks are well evaluated and studied and sufficient efforts are exerted for planned and well-managed risk, leads to enhanced performance. Additionally, leadership and tone at the top has been proved to have a significant positive impact on NIM. This is echoed in structures where the leader acts as a godparent for their employees, holds regular meetings with their subordinates, leads by example and ensures that the bank's message is consistent, well understood and accepted.

This research has also provided an extended literature review regarding the impact of corporate governance on performance. The research findings proved that there is a negative and significant relationship between the frequency of meetings and ROA of banks in Egypt. This reflected the inefficiency of the frequent board meetings in the banking industry in the country. Thus, board meetings should be more concerned with effective and better monitoring functions, rather than their frequency.

This study explored the impact of board size on performance based on Egyptian data, which is one of the most debated topics to examine the effectiveness of the board. Several scholars revealed their opinions about board size such as Larmou and Vafeas (2010); Adams and Mehran (2003) and Belkeir (2008). This research's findings proved a negative and significant relationship between board size and ROA of banks in Egypt, stressing the importance of knowledge, experience, education and skills rather than board size, which may lead to the problem of free-riding.

This research contributes towards comprehending the association between board independence and performance of banks in Egypt. The results of this study support board independence and its role in enhancing ROA. As board independence means better monitoring and controlling functions, this study also advocates CEO duality in Egypt, where one person assumes the positions of both Chairman and CEO and reflects Egyptian culture.

To the extent of the researcher's knowledge, this research is the first attempt to examine these ten corporate culture variables with respect to corporate governance on the performance of banks in Egypt.

This study can assist investors, regulators, corporate governance authorities and bank management to understand the impact of corporate culture and corporate governance on bank performance in Egypt as it identified corporate culture variables that contribute to enhanced performance within banks. This research stresses the importance of leadership and tone at the top, transparency and risk. These enable management to recognise the importance of these corporate culture attributes and to enrich these dimensions within banks. Also, such findings shed light on the fact that control is minor without good leadership and tone at the top that supports, motivates, encourages, organises meetings, provides broad lines and gives directions to employees. Also, the findings stress the need for both risk culture and transparency in improving banks performance (ROA and ROE) in Egypt.

Banks should be more attentive to corporate culture in performance appraisals. Performance evaluation should consider employees' behaviour with respect to ethical values, and they should be rewarded for their ethical behaviour and commitment to the bank's culture. This will make bank employees aware about what is rewarded and disciplined, besides their economic performance. Additionally, their leaders should walk the talk. Without this perception, corporate culture and ethical values will become worthless. This includes the efforts at the board of directors, managerial and employee levels. Thus, bank regulators should recognise the importance of bank culture, rules and laws that regulate corporate culture within banks. The findings in the present study highlight some recommendations for regulators and the stock exchange and strongly suggest that banks should publish their governance and corporate culture reports to ensure the existence of an appropriate corporate culture in terms of good leadership and tone at the top as well as bettering transparency, whistle-blowing channels and risk culture.

To publish a culture of governance within banks, the Governance Committee is to hold regular meetings with all the bank employees to establish their governance concepts. The Committee shall document the principles of the bank's governance and announce it among various departments as part of the bank regulation.

The purpose of these recommendations is to raise the overall awareness and efficiency of employees to avoid future moral problems. However, this study showed mixed results. With regard to the results of board characteristics and ROA, it would be recommended to have less frequent meetings with more emphasis on its efficiency. Also, it is recommended that banks have a smaller board size appointed and an independent board;

this is consistent with the Egyptian code of governance. Furthermore, the results showed that board independence, board size and frequency of meetings have no influence on ROE and NIM.

This could be a helpful tip for regulators when assigning an unbiased criterion for selecting the board of directors and shows that the selection is based on knowledge, skills, experience and education, rather than connections and relationships. As mentioned previously, regardless of the frequency of meetings, the settled meetings shall be efficient rather than being a waste of time and money. Moreover, CEO duality supports high NIM within banks in Egypt. Information about the board of directors' structure, number of board members and the number of meetings held per year, rewards and compensation policies as well as the implementation of governance should be disclosed annually in the bank's reports and websites. This should also consider addressing the Egyptian Central Bank issues with banking governance in cooperation with international, local organisations and universities, guided by research studies, to gain public and shareholders' confidence through high levels of transparency and accountability for the actions of the board of directors.

Finally, an understanding needs to be built that the governance of banks plays an important role in helping regulators perform their tasks efficiently and effectively by providing a good relationship between the supervisors and the management of the bank. Incentives should be provided to encourage congruence with best practices for bank governance and create a system that rewards banks for good governance. Egyptian banks need to be more oriented towards governance tools in order to be competitive at the local, regional and international levels by applying the principles of governance to safeguard the rights of stakeholders with an emphasis on the commitment of banks to international financial regulatory requirements. Thus, regulators shall take all these points into consideration.

6.5 Research Limitations

Like other studies, this study faced several obstacles and limitations. These limitations should be highlighted to any reader of this research and its results. They were concerned mainly with sample size and data. However, significant measures were adopted to ensure compliance with the research objectives.

First, the researcher found it difficult to find literature about corporate culture variables that lead to effective governance. In this regard, the researcher relied on practical papers rather than scholarly papers as there were no previous theories tackling corporate culture variables from a corporate governance view.

Moreover, this study focused only on the board characteristics (board size, frequency of meetings, board independence and CEO duality) as measures of corporate governance, rather than including other variables such as managerial ownership and audit committee characteristics due to lack of reliable databases in Egypt.

The research covers a short time period and the researcher was unable to get the most recent data as data collection was a challenge; data collection of data such as frequency of meetings, board size, board independence and CEO duality were the most difficult to obtain. These data were collected from several resources as mentioned before (Egyptian Stock Exchange, annual reports, banks' websites and Bankscope) due to the absence of transparent databases in Egypt. The researcher measured performance using accounting measures only without marketing measures such as Tobin's Q. This was a result of a lack of access to data needed for that measure as not all banks are listed in the stock exchange. All of these factors lead to a small sample size of 23 banks and 522 questionnaires after excluding all missing values and unreturned questionnaires.

This study focuses only on the banking sector, and so its findings cannot be generalised to other industries in Egypt. Moreover, this study is conducted in the Egyptian setting only, which is a limited demographic scope of the study. However, many studies conducted in some countries have been successful in other contexts. So, this study could be a helpful guide for other developing countries that share corporate culture characteristics and corporate governance features similar to Egypt.

Related to theory, this study shows the impact of corporate culture on financial performance but it doesn't take into consideration any change in corporate culture caused by change in management and its influence on performance. Also, this study can't display the impact of some corporate governance variables on performance such as: audit committee characteristics.

6.6 Future Research Recommendations

According to the aforementioned limitations, future research can target these shortcomings. A further study may be carried out to include more corporate culture attributes such as trust, honesty, fairness, innovation and creativity, rewards and consistency to understand their impact on performance within the banking sector in Egypt. Future studies could examine corporate culture as a moderating or a mediating variable to understand the behaviour of corporate culture and its impact on performance. Moreover, longitudinal data could be collected of corporate culture and values measured in different time frames to examine how performance is affected by different corporate cultures along with different board structures. Conducting interviews with CEOs and board members will provide further insights into the impact of corporate culture and board characteristics on performance.

Also, this study found no relationship between board size, board independence and bank performance (ROE and NIM). This sheds light on the importance of studying board members' knowledge, years of experience and level of education, diversity, gender and board remuneration as well as other corporate governance variables such as ownership structure which would help gain a better understanding of corporate governance. Moreover, a future comparative study is needed to enhance the understanding of differences between developed and developing countries with regard to corporate culture, governance and their impact on performance. As the findings of this study are based on one country, future studies could focus on the wider MENA region. Further, a comparative study could be carried between Islamic and conventional banks with regard to corporate culture, corporate governance and their impact on performance.

The validity of generalising the results to other developing countries is yet to be examined. It will be also useful to compare Egypt to other developing countries that adopt the same rules, regulations and practices under similar economic conditions. The more similar the results, the more likely and more reliably the results obtained from this study could be generalised to other emerging countries.

This study does not provide evidence about how corporate culture and corporate governance are practiced in non-financial institutions; this study focuses on financial institutions only. Thus, future research on this topic should compare the contexts of financial and non-financial institutions in order to understand the nature of corporate culture and corporate governance practices between these two groups in Egypt. Also, further researchers could study the role of corporate culture and corporate governance in reducing risks within banks. Moreover, more studies could investigate if corporate governance leads to a strong culture.

In summary, the research's results show the importance of corporate culture and governance for firm performance and give several insights into how firms can improve their board of directors' effectiveness and performance.

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Appendices

Appendix A: Ethical Approval for Delphi technique

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CR

CSM Research
Thu 4/27/2017 10:15 AM
To: afaftammam@hotmail.com

Dear Afaf,

Re: Application for Ethical Approval: ***The Impact of Corporate Culture and Corporate Governance on Financial Performance in Egyptian Banks***

Ethics Committee Application Reference Number: **2015S0056**

Your ethics application, as shown above, was considered at the following meeting of the School Research Ethics Committee on 03.01.2017 and subject to required committee amendments. I am now pleased to inform you that your application was **APPROVED** subject to the conditions listed below – *please read carefully.*

Conditions of Approval
Your Ethics Application has been given a reference number as above. This MUST be quoted on all documentation relating to the project (e.g., consent forms), together with the full project title.
Any changes in connection to the proposal as approved, must be referred to the Panel/ Committee for consideration.
A full Risk Assessment must be undertaken for this proposal, and be made available to the committee if requested.
Any untoward incident which occurs in connection with this proposal must be reported back to the panel *without delay*.

Yours sincerely,

(On behalf of)
Dr Caroline Ritchie
Chair of Ethics Committee
Cardiff School of Management

Appendix B: Ethics Approval for corporate culture questionnaire

CR
CSM Research
Tue 4/19/2016 12:46 PM
To: 'Afaf Tammam'
Cc: 'Sameh Sakr'; Jones, Eleri

19.04.2016
csm/ethics/approved
Afaf Tammam
Cardiff School of Management
Llandaff Campus
Cardiff, CF5 2YB

Dear Afaf,

Re: Application for Ethical Approval: ***The Impact of Corporate Culture and Corporate Governance on Financial Performance in Egyptian Commercial Banks***

Ethics Committee Application Reference Number: 2015S0030

Your ethics application, as shown above, was considered at the following meetings of the School Research Ethics Committee on 14.10.15/13.01.16/24.02.16/ and subject to committee amendments – I am pleased to inform you that your application for ethical approval was **APPROVED** subject to the conditions listed below – *please read carefully*.

Conditions of Approval
Your Ethics Application has been given a reference number as above. This MUST be quoted on all documentation relating to the project (e.g., consent forms), together with the full project title.
Any changes in connection to the proposal as approved, must be referred to the Panel/ Committee for consideration.
A full Risk Assessment must be undertaken for this proposal, and be made available to the committee if requested.
Any untoward incident which occurs in connection with this proposal must be reported back to the panel *without delay*.
Yours sincerely,

(On behalf of)
Dr Caroline Ritchie
Chair of Ethics Committee
Cardiff School of Management

Appendix C: Consent Form

Exemplar Consent Form

(Form to be on headed paper)

PARTICIPANT CONSENT FORM

Reference Number:
Participant name or Study ID Number:
Title of Project:
Name of Researcher:

Participant to complete this section: **Please initial each box.**

1. I confirm that I have read and understood the information sheet for the above study. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily. ☐

2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving any reason. ☐

3. I agree to take part in the above study. ☐

The following statements could also be included on the consent form if appropriate:

1. I agree to the interview / focus group / consultation being audio recorded. ☐

2. I agree to the interview / focus group / consultation being video recorded. ☐

3. I agree to the use of anonymised quotes in publications. ☐

_______________________________ _______________
Signature of Participant
Date

_______________________________ _______________

Name of person taking consent Date

____

Signature of person taking consent
** When completed, 1 copy for participant & 1 copy for researcher site file*.

Appendix D: Invitation to Delphi Technique

Reference Number: 2015S0056

Dear Mr. / Ms.

Background

The aim of this research is to develop a model of the impact of Corporate Culture and Governance on Financial Performance of Banks in Egypt.

You are being invited to participate in this research as you have considerable (i.e., more than 10 years) experience of working in a bank in Egypt. The information you provide will help to enhance the knowledge and understanding of the corporate culture within banks in Egypt.

Your participation is voluntary and you will not be asked for your name or the name of your bank, so your responses cannot be traced back to you. You can withdraw from the study at any time without having to give a reason. Thank you in anticipation of your cooperation and time taken to answer this questionnaire.

If you agree to participate in this study, you will be asked to participate via email. The Delphi technique is an iterative process designed to achieve consensus generally through two or three rounds of questions. The main aim is to indicate the importance of cultural attributes that contribute to effective governance and banks' performance. The participants may be asked to comment on the summary of the responses to the first round of questions; each round should only take about ten minutes to complete.

If you would like to participate in this study, please reply to me via email by typing "Accept to Participate" in the subject line. My email address is afaftammam@hotmail.com.

Thank you in advance for your willingness to participate in this study.

Best regards,

Afaf Tammam

Arab Academy for Science and Technology

Appendix E: Delphi Technique – Round 1

Round 1: Banks' cultural values

Dear, Panel Members,

Again, the aim of this research is to develop a model of the impact of Corporate Culture and Governance on Financial Performance of Banks in Egypt.

Instructions:

In round 1, you are required to indicate how important you believe each corporate culture aspect is in relation to effective governance and improved bank performance in the banking sector from very important to very unimportant by just marking the symbol (√) in the box that fits your answer. These are the cultural aspects that the researcher identified from their literature review. You will find the questionnaire attached in the email.

	Very important	Important	Neutral	Unimportant	Very Unimportant
Communication					
Leadership and Tone at the top					
Control					
Adaptation to environment					
Risk					
Commitment					
Ethics and Integrity					
Transparency					
Accountability					
Coordination and Integration					

Thank you again for your dedicated time and participation in this study. If you have any inquiries, please feel free to contact me by email.

Afaf Tammam

Appendix F: Delphi Technique – Round 2

Round 2: Ranking the cultural values

Dear Panel Members,

I'd like to thank you for your participation in round 1, the results of which are attached below. You are most welcome to change any of your responses in round 1. Now, it's time for round 2.

Instructions

In round 2, for the same corporate culture aspects referred to in round 1, you are required to rank these cultural aspects from 1 to 10. Here, '1' represents the most important, while '10' represents the least important aspect. Please, put the number that you assume in the 'Rank' column corresponding to each cultural aspect. You will find the ranking table attached in the email.

Corporate culture value	**Rank**
Communication	
Leadership and Tone at the Top	
Control	
Adaptation to environment	
Risk	
Commitment	
Ethics and Integrity	
Transparency	
Accountability	
Coordination and Integration	

Thank you again for your dedicated time and participation in this study. If you have any inquiries, please feel free to contact me by email.
Afaf Tammam.

Appendix G: Thank You Letter

Dear Panel Members,

I'd like to thank you for your participation in round 2, the results of which are attached below. The attached results show the ranking of cultural aspects according to your answers and showed a consensus. You are most welcome to change any of your responses in round 2. Round 2 was our final round**.**

I'd like to thank you for your contributions towards my study and really appreciate your efforts and dedicated time.

Thank you again and best of luck.

Afaf Tammam.

Appendix H: Corporate Culture Questionnaire (English Version)

Reference Number: 2015S0030

Corporate Culture Questionnaire

The Impact of Corporate Culture and Governance on Financial Performance of Banks in Egypt

Project summary:

The aim of this research is to develop a model of the impact of Corporate Culture and Governance on Financial Performance of Banks in Egypt.

Why have you been asked to participate?

You are considered fitting to the sample as you work in banks of Egypt. According to your knowledge and daily experience, the information you provide will help to enhance my knowledge and understanding about the corporate culture within banks in Egypt.

Project Risks:

I am not expecting any risks, as the information needed from you is not sensitive data and it will not affect your position. Moreover, you have the right to withdraw from the study at any point in time, if you do not feel comfortable.

How your privacy will be protected?

All the information gathered from you will be stored securely in a safe and closed drawer. All provided data will be held in confidence and will not be seen by anyone other than the researcher. These questionnaires will be destroyed after the study is completed.

Thank you for your cooperation and time dedicated to answering this questionnaire.

For further information, you can contact me.

Afaf Tammam

Teacher Assistant

Arab Academy for Science and Technology

Telephone number: xxxxxxxxxxx E-mail: afaftammam@hotmail.com

Corporate Culture Questionnaire

Please fill the following questionnaire:

I. Personal information.

Age:

Gender:

Job Title:

Number of working years:

Bank's name:

Department:

II. Please put a tick (√) to the choice that suits you the most. You are given a rank from 1 to 5.

5= Strongly agree

4= Agree

3= Neutral

2= Disagree

1= Strongly disagree

1. Communication

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
My supervisor is helping me achieve my full potential by providing ongoing coaching to improve my performance and recognition for my successes.					
All managers know what is happening in our organisation and where all the problems are – the workforce knows exactly what our managers expect – there are no mixed messages.					
Management does an excellent job of communicating with employees on a host of issues.					
Regular meetings for exchanging knowledge.					
Good communication among the different departments within the bank					

2. Leadership and Tone at the top

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The leader is the godfather for employees.					
There are regular meetings between supervisors and subordinates.					
My leader accepts criticism.					
My leader avoids responsibility.					
There is centralisation and limited delegations.					
My leader refuses discussions.					
The senior management leads by example.					
The middle management displays the right behaviours.					
Management ensures that the message is consistent, well understood and accepted.					

3. **Risk**

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
The values and norms of behaviour within the organisation generally support the effective management of risk.					
The bank's attitude towards risk is clear and appropriate.					
Leadership throughout the bank has a focus on risk-appropriate decision-making, communication and behaviour.					
Roles, responsibilities and rewards are determined in keeping with effective risk management.					
Risk control process is appropriate, clear, timely and effective.					
There is effective reporting and documentation of risk activity.					
The approaches to manage risk are clearly understood and appropriate to the need.					
Management provides a clear sense of direction in relation to risk management.					
Over the past year or so, changes in the way we manage risk have been well designed.					
It is clear who to approach about risk management issues.					
The risks to which a business unit is exposed					

are assessed and reported on regularly.					
Sufficient effort is made to get the opinions of employees in relation to risk management.					
I am well informed of the risks in my work and the way my bank and I are supposed to manage them.					
Work stresses are at a tolerable level and I am able to fully focus on the task at hand and be mindful of risks and any abnormal events as they arise during my work.					

4. <u>Transparency</u>

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Bank's culture supports risk transparency and enables concerns to be voiced.					
Whistle-blowers are well treated.					

5. **<u>Control</u>**

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Self-conscious is the master control tool					
Existence of regulatory rules					
Informing employees with work rules and procedures					
Conducting employees performance evaluation with the aim of penalty					
Conducting employees performance evaluation with the aim of enhancing performance					

6. **<u>Ethics and Integrity</u>**

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
My bank has written standards of integrity/ethical business conduct that provide guidelines for my job (for example, a code of ethics, a policy statement on ethics or guidance on proper business conduct).					
My bank provides employees with a means of reporting misconduct anonymously, without giving their name or other information that could easily identify them.					
My bank provides training on standards of integrity/ethical conduct.					
My manager generally sets a good example of					

ethical business behaviour.					
My manager explains to staff and colleagues the importance of honesty, integrity and ethics in the work we do.					
My manager rewards employees who get good results even if they use practices that are ethically questionable.					
My manager supports me in following my organisation's standards of ethical behaviour.					
My bank disciplines employees who violate the organisation's ethical standards.					
My bank acts responsibly in all its business dealings (with clients, suppliers, etc.).					
My bank lives up to its stated policy of social responsibility.					
Ethical issues of 'right and wrong' are discussed in staff meetings.					

7. Coordination and Integration

	Strongly Agree	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
The bank's approach to doing business is very consistent and predictable.					
Employees from different parts of the bank share a common perspective.					
It is easy to coordinate projects across different departments of the bank.					
Working with someone from another department of the bank is very easy.					
There is good alignment of goals across levels.					

8. Commitment

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
My bank's core purpose (e.g., mission and vision) inspires me to work with enthusiasm and commitment.					
I comply with the rules while doing a task.					
The glue that holds the bank together is the commitment to innovation and development.					

9. Accountability

	Strongly Agree	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
Roles, authority and accountability for all bank activities are clearly established and well understood by all stakeholders.					
Individuals within the bank are fully aware of their responsibilities and are competent to carry them out.					
I have a deep sense of personal responsibility for all the things I am committed to.					
I am held accountable for any work delinquency.					

10. Adaptation to environment

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
My bank is updated with technological developments.					
There is a continuous analysis of environmental factors.					
My bank stresses the importance of information availability.					
My bank considers global/international/foreign markets.					
People are flexible and adaptable when changes are necessary.					
People feel that most of the changes result from the pressure imposed by higher-ups in the organisation.					

People have a clear idea of why and how to proceed throughout the process of change.					
Most people believe that change happens too quickly and causes too much disruption.					
People believe that their concerns and anxieties during periods of change are heard and taken into consideration.					

Thanks for your cooperation

Appendix I: Corporate Culture Questionnaire (Arabic Version)

Reference Number: 2015S0030

تحيه طيبه وبعد،

يسعدنى ويشرفنى أن أقدم لسيادتكم هذه القائمة الخاصة باستطلاع رأيكم الكريم فى ما يختص بتحديد أبعاد الثقافه التنظيميه للبنوك بمصر.

تهدف القائمه الى:

١- تحديد الأبعاد التى تنتمى الى الثقافة التنظيمية فى البنوك التجارية محل الدراسة.

٢- تحديد المفاهيم المرتبطة بهذه الابعاد.

ولما كان لسيادتكم الخبرة والدراية والخلفية العلمية المشهود لها فى هذا المجال ، لذا أرجو من سيادتكم التكرم بالاضطلاع على هذه القائمة ، وابداء الرأى حول الأبعاد ، ومدى ارتباطها بالثقافة التنظيمية للمنظمات محل الدراسة، وكذلك مدى ارتباط كل مفهوم من هذ المفاهيم بالبعد الذى يندرج تحته، وذلك بوضع علامة (√) على أحد ألاختيارات الموضوعة أمام كل بعد أو مفهوم مناسبا من وجهة نظركم.

ونشكر سيادتكم مقدما على حسن تعاونكم.

وتفضلوا بقبول فائق الشكر والاحترام

لمزيد من المعلومات، يرجى الاتصال
عفاف تمام
مدرس مساعد
الأكاديمية العربية للعلوم والتكنولوجيا
رقم الهاتف: ٠١٢٢٧٧١٧٠٧١
البريد الالكترونى:
afaftammam@hotmail.com

<u>اولا : البيانات الشخصيه</u>

السن:

الجنس:

الوظيفه:

سنوات الخبره:

اسم البنك:

القسم:

ثانيا : برجاء وضع علامة (√) على الاختيار المناسب لك و الترتيب من ١ الى ٥

٥ = أوافق تماما

٤ = أوافق

٣ = محايد

٢ = لا أوافق

١ = لا أوافق تماما

١ - **الإتصال**

	أوافق تماما	أوافق	محايد	لا أوافق	لا أوافق تماما
يساعدنى رئيسى المباشر على تحقيق قدرتى الكاملة بالمزيد من التوجيه لتحسين أدائى					
كافة المديرين على علم بما يحدث في البنك وأين تظهر المشاكل، كما يعلم جميع العاملون ما يتوقعه المديرون بالتحديد – لا توجد رسائل مختلطة					
تقوم الإدارة بعمل ممتاز فيما يتعلق بالإتصال بالموظفين حول العديد من الموضوعات					
عقد اجتماعات دورية لتبادل المعرفة					
يوجد قنوات اتصال جيدة بين الأقسام المختلفة في البنك					

٢- **القيادة و لهجة الإدارة العليا**

	أوافق تماما	أوافق	محايد	لا أوافق	لا أوافق تماما
القائد هو الأب الروحى للعاملين					
اللقاءات الدورية بين المدير ومرءوسيه					
تقبل النقد					
تجنب المسئولية					
المركزية والحد من تفويض السلطة					
رفض مبدأ الحوار					
تعمل قيادة الادارة العليا كنموذج يحتذى به					
تتبع الادارة الوسطى السلوكيات الصحيحه					

تؤكد الإدارة على كون الرسالة متسقة ومفهومة ومقبولة					

٣ - المخاطرة

	أوافق تماما	أوافق	محايد	لا اوافق	لا أوافق تماما
تدعم قيم وسلوكيات البنك فاعلية ادارة المخاطر					
سلوك البنك تجاه المخاطر واضح وملائم					
تركز القيادة فى أرجاء البنك على اتخاذ القرار السليم فيما يخص المخاطرة وتمريرها لجميع العاملين					
تحدد المهام والمسؤليات والمكافأت على أساس مواكبة فاعلية ادارة المخاطر					
تتم عملية رقابة المخاطر فى وضوح وانضباط وفاعليه					
هناك تقارير ومستندات مؤثره لادارة المخاطر					
اتجاهات ادارة المخاطر مفهومة وملائمه لحاجة البنك					
تقدم الادارة حس توجيهى واضح فيما يتعلق بإدارة المخاطر					
التغييرات الطارئة على كيفية إدراة البنك للمخاطر مصممة بشكل جيد على مدار العام الماضى اواكثر					
أعلم جيدا الى من اتوجه حالة وجود اى تساؤلات او ملحوظات فيما يتعلق بشئون المخاطر					
يتم تقييم وإعلان المخاطرالمعرضة لها كل وحدة عمل بشكل دوري					
يبذل الجهد الكافي للوصول إلى آراء الموظفين فيما يتعلق بإدارة المخاطر					

لدى دراية كافية عن المخاطر المتعلقة بمهام عملى والطريقة المثلى التى يجب على وعلى مصرفى التعامل تجاهها					
ضغوطات العمل على مستوى مقبول وأستطيع التركيز بشكل كامل على المهام الموكلة إليّ واتنبه للمخاطر وأي أحداث غير متوقعة قد تنشأ أثناء عملي					

٤- <u>الشفافية</u>

	أوافق تماما	أوافق	محايد	لا أوافق	لا اوافق تماما
تدعم ثقافة البنك شفافية المخاطروتعمل على إيضاح المخاوف					
التعامل مع من يدق ناقوس الخطربشكل جيد					

٥- <u>الرقابة</u>

	أوافق تماما	أوافق	محايد	لا أوافق	لا أوافق تماما
الرقابة من خلال إعمال سلطة الضمير					
وجود قواعد رقابية					
إعلام الموظف بالإجراءات و اللوائح الخاصة بالعمل					
الهدف من تقييم الأداء هو معاقبة المقصر					
الهدف من تقييم الأداء هو تحسين الأداء					

٦- الأخلاقيات والأمانة

	أوافق تماما	أوافق	محايد	لا أوافق	لا أوافق تماما
لدى البنك معاييرموثقة عن أمانة/ أخلاقيات العمل والتى توجهنى فى عملى					
يمنح البنك وسيلة للابلاغ عن سوء السلوك دون ذكر اسماء، أو أي معلومات قد تدل على هويتهم					
يقدم البنك دورات تدريبية على معايير حسن السلوك والتصرفات الاخلاقية					
رئيسى مثلا يحتذى به في حسن السلوك في العمل					
يوضح رئيسى المباشر مدى أهمية الأمانة والأخلاق في العمل الذي نقوم به لفريق العمل والزملاء					
يكافيء رئيسى المباشرالموظف صاحب النتائج الجيدة حتى وإن كان يقوم بممارسات مثيرة للجدل من الناحية الأخلاقية					
يدعمني رئيسى المباشر في إتباع معايير االبنك للسلوك الأخلاقي					
يعاقب البنك الموظفين الذيين يخترقون معايير البنك الأخلاقية					
يتعامل البنك بمسئولية في كافة معاملاته (مع العملاء والموردين .. إلخ)					
يرتقى البنك بسياسته تجاه المسئولية الاجتماعية					
يتم مناقشة المسائل الأخلاقية حول الصواب و الخطأ في اجتماعات العاملين					

٧- **التنسيق والتكامل**

	أوافق تماما	أوافق	محايد	لا أوافق	لا أوافق تماما
سياساسة البنك للقيام بالأعمال تتسم بالثبات					
لدى الموظفين من مختلف ادارات البنك مفاهيم مشتركة					
من السهل تنسيق المشروعات بين الادارات المختلفة					
من السهل العمل مع الافراد من الادارات الاخرى بالبنك					
يوجد اهداف موحدة ومتسقة لدى الموظفين عبر المستويات المختلفة.					

٨ - **الالتزام**

	أوافق تماما	أوافق	محايد	لا أوافق	لا اوافق تماما
يدفعني الهدف الأساسي لمصرفي (المهمة و الرؤية) إلى العمل بحماسة والتزام					
ألتزم بالقوانين عند إتمامي أي مهمة					
الإلتزام والإبتكار والتطوير هم الركيزة الأساسية التي يقوم عليها البنك					

٩- **المسائلة**

	أوافق تماما	أوافق	محايد	لا أوافق	لا أوافق تماما
يتم تحديد ووضع الأدوار والسلطات والمسائلات لكافة أنشطة البنك بشكل واضح ومفهوم					
كافة العاملين داخل البنك على دراية بمسئولياتهم وأكفاء فى تنفيذها					

لدي حس عميق تجاه مسئوليتي الشخصية حيال كل الأمور الملتزم بها					
أتحمل المسئولية بالكامل تجاه أى تقصير في عملى					

١٠- التأقلم/التكيف مع البيئة

	أوافق تماما	أوافق	محايد	لا أوافق	لا اوافق تماما
مسايرة التطور التكنولوچى					
التحليل المستمر للعوامل البيئة					
التأكيد على أهمية المعلومات					
أخذ الأسواق العالمية والدولية بعين الاعتبار					
مرونة وتأقلم الأفراد عند اطراء اى تغييرات لازمة					
يرى البعض ان التغييرات ضغوطات تمارس من قبل الادارة العليا					
لدى جميع العاملين فكرة واضحة عن سبب وكيفية مجاراة عملية التغيير					
يرى العاملين ان التغيير يطرأ بسرعة ويسبب التشتت					
تؤخذ مخاوف وقلق العاملين خلال فترة التغيير فى عين الاعتبار					

أشكركم لحسن تعاونكم

Appendix J: List of Banks

Public Sector Banks
1. Banque du Caire
2. Bank Misr
3. National Bank of Egypt
Private and Foreign banks
1. Bank of Alex
2. Misr Iran Development Bank
3. Commercial International Bank
4. Suez Canal Bank
5. BLOM Bank
6. Credit Agricole
7. QNB ALAHLI
8. Bank Audi
9. Ahli United Bank
10. Faisal Islamic Bank
11. Al Baraka Bank
12. Egyptian Gulf Bank
13. Arab African International Bank
14. HSBC
15. The United Bank of Egypt
16. Arab Bank
17. Société Arabe Internationale de Banque
18. National Bank of Kuwait
19. Emirates NBD
20. Nasser Social Bank

Appendix K: The Corporate Governance Code of Banks in Egypt

The content of this section is the translated version of the corporate governance code of banks issued by the Central Bank of Egypt (www.nbe.com.eg).

Corporate Governance Code of Banks in Egypt

Governance has caught prominent interest because of its economic significance. However, banking governance has not garnered significant interest in modern studies. Concepts of corporate governance in banks began to see increasing interest owing to the captivating enhancements in financial markets, cash flow globalisation and technological progress which increased the competitive pressure on banks and non-bank financial foundations. Furthermore, the development of the financial markets and the variety in the bank's financial tools highlighted the significance of risk measurement, control and management. To understand this, a continual innovation of methods to recognise business risk, law changes and oversight systems were demanded to safeguard the validity of the banking system.

It is worthwhile to mention that there is no standard form for governance in market economies. However, there are different approaches to governance practices. This variety emerges from the conversion from the planned to market economy. The basic differences in the market economy are included in capital market construction and ways of practicing good governance, in addition to cultural and historical aspects whose effects are unavoidable. Such differences affect the organisational forms, industry structures and relationships between employers and employees.

This demanded different mechanisms to apply and practice governance, a depiction of how such mechanisms can be embraced in different countries, a discussion of their advantages and requirements and recommendations related to each mechanism.

The wider concept of enforcing governance is mainly concerned with the manner of building a structure that permits a great deal of freedom under the rule of law.

The Bank of International Settlement, under the supervision of which the Basel Committee on Banking Supervision operates, explains governance as the ways in which a bank's BoD and senior management direct the bank. Such ways determine how to decide upon the bank's objectives, run its operations and maintain shareholders' and stakeholders' interests, while complying with applicable laws and systems.

Bank governance deals with improving policies and developing management outputs. It guarantees the effective application of the principles and rules of financial control and supervision along with raising the credit rates. The basic ingredients of such an effective application are represented in the presence of an appropriate organisational domain for the bank operations and policies. This would guarantee precision in assigning responsibilities, conducting performance evaluation, maintaining control and ensuring the availability of cadres able to realise such a strategic role. This would further result in coordination between the management policies of assets and responsibilities, distribution of the risk of investment portfolios, guaranteeing the quality of investment and credit portfolios, realising the highest profitability rates and maintaining retail banking.

Governance depicts the best ways authorising managers can direct and improve corporate achievement. Thus, the best BoD is one that is conscious of the fact that ensuring high performance rates emerges from maintaining the balance between wealth creation and control and the adoption of their highest standards.

Concept of Banking Governance

Governance is a system of relations between the bank management, BoD, shareholders and the other stakeholders, setting an obvious definition of responsibilities and powers of each of them. Governance discusses the conduct adopted by the bank's BoD and senior management to instruct and supervise daily activities which then influences the following:

1. Enhance strategies and determine objectives;
2. Define bank risk appetite;
3. Supervise bank daily business activities;
4. Maintain a balance between duties towards shareholders and protect the interests of depositors taking into consideration the other stakeholders' interests;
5. Guarantee that the bank business activities are conducted safely and properly through the domain of applicable laws and controls; and
6. Follow efficient disclosure and transparency policies.

Board of Directors

i. General Rules

- The BoD puts strategic objectives in place for senior management and supervises the recognition of such objectives. Moreover, the BoD verifies the effectiveness of internal controls and risk management to guarantee the bank's reputation.
- The BoD is completely in charge of governance within the bank, beginning from founding the culture of governance and confirming a Code of Ethics bank's employees and senior management that will work as a guide for attaining their daily tasks, to taking the required steps to communicate the objectives and conduct that should be followed within the bank. Meanwhile, the best interests of shareholders and depositors are also safeguarded.
- The BoD also authenticates the norms and values which mirror the bank's policies that should be followed by all employees, senior management and directors.

ii. Board Composition

- The BoD shall be formed of a sufficient board size. The BoD must be well qualified for their positions and be entirely aware of governance.
- The BoD must be kept independent and objective by allocating directors to executive and non-executive positions who shall have the experience and skills that qualify each of them to independently illustrate their opinion during board discussions, leading to valid decision-making.
- The Chairman can, likewise, undertake the tasks of the Chief Executive Officer (CEO) by clarifying the grounds for occupying this position in the annual report. Further, the two positions can be isolated by explaining the responsibilities and duties of each of them.

Responsibilities of the Chairman

- Guarantee that decisions are properly made based on a complete awareness of the subject matter, and that a suitable mechanism is available so that decisions can be effectively and timely implemented and followed up
- Encourage discussions and criticism and make sure that contradicting opinions have a path to be voiced and discussed within the context of the decision-making process

- Make sure that the BoD works efficiently to achieve the best interests of the bank and preventing any potential conflict of interest
- Maintain trust among all directors generally and between the executive and non-executive directors particularly, fostering the relationship between the BoD entirely and the senior management
- Guarantee the flow of sufficient and precise information on a timely basis to both directors and shareholders
- Prove the effectiveness of the governance system applicable within the bank, in addition to the effectiveness of BoD committees performance
- Guarantee that all directors conduct a self-assessment which contains defining each member's commitment with the responsibilities of their job and the needed requirements to increase effectiveness
- Call for at least one BoD meeting every two months and prepare its agenda

Balance and Independence within the Bank's Board of Directors

- Independence and objectivity within the BoD can be accomplished by dividing directors into executives and nonexecutives who shall have the skills and experience that qualify each of them to independently express their opinion during board discussions, leading to righteous decision-making.
- Non-executive directors are directors who are not full-time employees, do not get any monthly or annual salary from the bank, and do not provide any paid counselling. In its annual report, the BoD publishes the names of all non-executive directors who are considered independent from management and do not have any kind of relationship that may prejudice their objectivity in decision-making.

A non-executive director is considered as independent if they meet, at least, the following conditions:

- Be qualified and experienced;
- Not be a prior employee of the bank or any stakeholders, or have a family related to the same during the last three years;
- Not have any personal interests or any relevant relations with the bank;

- Not be related to directors, senior management or any of their relatives, up to fourth-degree relatives;
- Their remuneration shall be confined to allowances received in compensation of their representation in the BoD and sub-committees;
- Not be a substantial shareholder in the bank;
- Not be a partner or an employee of the bank's exterior auditor over the last three years before the date of their nomination as director; and
- Not be a director for more than six consecutive years.

BoD: Duties and Responsibilities

The board has full powers to accomplish the bank's objectives and management and can take all required actions in this regard. To foster the bank's governance and guarantee its efficiency, the BoD is responsible for operating as follows:

- Authorise and supervise the execution of the bank's key strategies, policies and objectives;
- Authenticate the organisational structure and illustrate the bank's structure of responsibilities and authorities;
- Supervise, replace and select, if necessary, the bank's senior executives after consultation with the CEO;
- Supervises and monitor the bank's senior management achievement and guarantee that it is responsible for the BoD, which may have obvious clarification and interpretation of the accountability matter;
- Have access to all valid information on a timely basis to permit them to evaluate management's achievement;
- Hold periodic meetings with the bank's senior management and Internal Audit to check and discuss the applicable policies and follow up on the advancement in achieving the bank's strategic objectives.
- Hold a meeting in the presence of only non-executive directors and the Chairman at least once a year;
- Monitor and supervise the bank's business, considering that the board's tasks may not contain any executive duties;

- Dominate and manage any possible conflicts of interest in the bank's management, set rules that control receiving or giving gifts and make required disclosures involving disclosure to the Central Bank of Egypt (CBE) with regard to the bank's policies of avoiding dispute of interests and information about transactions with affiliated parties;
- Authenticate and check the disclosure policies frequently, and supervise policy implementation in line with the provisions of law and international standards;
- Assess, review, authenticate and discuss with senior management regular and periodical assessments to guarantee the effectiveness and efficiency of the governance practices and internal controls applicable within the bank;
- Spread the governance culture in the bank and urge all employees and senior management to adopt governance practices; and guarantee that the bank ensures that its clients to apply corporate governance rules;
- Profoundly comprehend the regulatory and legal environment of the bank, respond with applicable regulations and laws and establish an efficient relationship with the regulatory authorities;
- Provide sufficient time and efforts to guarantee the sound achievement of the BoD's tasks;
- Authenticate and approve the strategies and policies relevant to the bank's risk management and guarantee that they are being revised and re-evaluated frequently; deeply realise the risk encountered by the bank and set the bank's risk appetite; and guarantee that the management takes the required steps to define, measure, monitor and control risks as per the founded policies and strategies;
- Authorise and frequently check the bank's policies relevant to the bases of IT management generally and information safety and security particularly; and
- Authenticate all by-laws and sanction the salaries, incentives and allowances schedule as per the Labour Law promulgated by Law No. 12/2003.

BoD: Achievement Evaluation

The BoD shall follow a rigid system for self-evaluation to define whether it and its committees are working efficiently as individuals and as a whole. The individual evaluation of each member is to recognise the efficiency of each member's contributions to the BoD meetings and committees, and whether they have accomplished their tasks.

The Chairman will be responsible for evaluating the members' performance by determining the strengths and weaknesses in the BoD and making changes by reappointing and/or dismissing particular directors, if necessary. In its annual report, the BoD shall disclose the performance assessment process.

Committees

The BoD shall build permanent or temporary committees of its members and bank employees to help the board carry out its oversight responsibilities. The duties and purpose of each committee shall be determined by the BoD, along with the manner of operations. These committees contain an internal audit committee, an executive committee according to the CBE, Banking Sector and Money Law 88/2003 and its executive regulations, as well as a risk committee, remuneration and compensation committee and governance and nomination committee, as per the banking governance guidelines issued by the CBE.

The BoD committees shall play a significant role in reinforcing the BoD's decision-making process, as their power and authority stem from the BoD's assignment. While the BoD may delegate particular powers and authorities, it must be in control and responsible at all times. The performance functions and powers of the committees must be determined, ensuring their suitability. The BoD is also enabled to appoint the committees' chairpersons and members and define the reporting lines for each committee. Finally, the BoD is entitled to supervise the efficiency of these committees.

The General Assembly

The General Assembly of the Bank shall be established according to Law No. 88 of 2003, promulgating the Law on the Central Bank of Egypt (CBE), the Banking Sector and Money and its Executive Regulations. The meetings of the General Assembly are attended by the Chairman and directors and auditors. The General Assembly should not be held before receiving the CBE's comments concerning the auditors' report on the bank's financial statements.

i. Duties and Responsibilities:

- Approve financial statements and dividends;
- Introduce modifications to the Articles of Association, containing extending/shortening the terms of the Bank and increasing/reducing authorised and paid-up capital;
- Set the bank's merger/split, provided that the Egyptian Cabinet's prior approval is obtained; and
- Approve the bank's budget.

Effective Relationship between Directors and Senior Management, Clearly Identifying Respective Powers and Duties

Collaboration between the bank's BoD and senior management is the basic pillar of efficient governance. This is evidently mirrored in identifying their respective powers and responsibilities. The BoD plays a considerable role in direction and leadership, while the role of senior management is presented in preparing and implementing the related strategies and policies ratified by the board. Furthermore, the BoD and directors should act separately from senior management. There should be no relations that may influence the objectivity in their decisions.

The BoD guarantees that senior management actively enforces the policies avoiding and reducing activities, circumstances or relationships which may jeopardise the bank's governance system, such as conflicts of interest. Both the BoD and senior management should realise the bank's organisational structure and transaction volume.

Moreover, the bank shall have in place an organisation chart and a manual of guidelines that clearly mention the powers and responsibilities across the organisation. The manual contains the most significant work procedures and the tasks of the bank's BoD and senior management. Both the BoD and the management assume the responsibility of establishing and supporting professional and ethical norms, besides improving internal control culture. Banks shall design particular policies involving practices relevant to such norms, guaranteeing the commitment of its staff with such policies.

Banks' senior management shall involve senior executive officers who take the responsibility of overseeing day-to-day activities. Senior management members should have the required experience, knowledge and skills for leading and managing the bank's staff. A main role of senior management is to delegate specific duties to staff and build an organisational structure that emphasises responsibility. Being mostly and principally responsible for the bank's achievement before the BoD, senior management also follows up on their delegated duties.

Senior management shall also follow up on the performance of department/unit managers relevant to the bank's transactions and activities, to guarantee commitment with work procedures and the policies established by the BoD. Under the BoD's oversight, senior management is responsible for ensuring an efficient internal control system across the bank is in place.

Moreover, senior management performs the following responsibilities:

- Implement and guarantee the effectiveness of BoD-accepted and agreed-upon strategies and policies, and make proposals to improve or modify them;
- Take the required steps and procedures to identify, measure, follow up, supervise and mitigate risks and the ways of minimising its effect, after getting the BoD's approval;
- Guarantee that the internal control system contains particular measures to tighten control over all banking operations on a regular basis;
- Guarantee there are qualified staff having the required experience and technical skills in relevance to all of the bank's departments and functions and attend to efficient and continual training in order to increase experiences;
- Ensure the commitment of all staff with the bank's internal control procedures, CBE's guidelines and other regulatory authorities; and
- Present suggestions to the BoD regarding required changed to the organisational structure or the policies to organise the bank's operations within the context of the governance rules, great changes in size or trend of risk and their influence on revenues and the financial soundness of the organisation.

Internal Control

i. Definition

Internal control is a group of procedures whereby all of the bank's operations and activities are regularly supervised and checked by the BoD, senior management, all of the bank's committees and all employees as part of the bank's internal control system.

ii. Culture

The BoD and senior management are in charge of setting and communicating the norms required for developing the internal control culture and setting the regulatory environment at the different levels of management in the bank, which leads all employees at all levels being aware of the nature of their respective roles and duties in light of the bank's approved policy. The bank's policies and its code of ethics should reveal the ethical values of the bank or the total banking group, as a means to avoid staff from committing any breach or abuse that may result in losses to the bank.

iii. Objectives

- Verify the proficiency of activities and operations management at the bank in order to make the best use of resources and manage assets to prevent losses and increase profits;
- Check compliance and consistency of the bank's operations and activities with applicable laws and regulatory rules, and their accordance with procedures, policies and bylaws of the bank;
- Approve the effectiveness of risk management process and follow necessary procedures to mitigate and minimise risk; and
- Ensure the efficiency of management information systems (MIS) to emphasise timely decision-making, as well as the precision and adequacy of reports.

iv. Bank's Internal Control Elements

The unity and integration of internal control factors of a bank is the backbone of its success in accomplishing its objectives, especially concerning the protection of the bank's assets against risks and the accomplishments of the related strategic objectives, according to the following:

- The efficient role of the bank's BoD and senior management;
- Consistency and efficiency of internal control activities and functions (Internal Audit - Risk Management - Compliance);
- Competence of risk control systems;
- Effectiveness of information systems and communication channels of the bank;
- Effectiveness of the adopted internal control methods to guarantee dual control and separation of tasks; and
- Check of internal control policies and procedures, periodical evaluation of their accountability, and adoption of the required corrective actions.

BOD's Relationship with Internal and External Auditors and Other Internal Control Functions

To verify having an efficient governance system, collaboration is sustained between the bank's BoD and the internal and external auditors in addition to the bank's internal control missions (Risk Group, Compliance and Corporate Governance Group and Internal Audit Group). The BoD and senior management make the best use of the deliverables of the bank's Risk and Internal Audit departments, in addition to external auditors' comments and reports, in order to verify the information disclosed by the management concerning the soundness of the bank's operations and performance. The bank's BoD and senior management are in charge of checking and ensuring the availability of adequate resources with Risk, Compliance and Corporate Governance and Internal Audit departments, as well as hiring skilled and experienced employees in such departments to meet their needs.

Internal Audit and Inspection relation with the regulatory authorities:

Central Bank of Egypt

- The bank's management should set a channel of communication to the head/director of the audit with the control and supervision sector to discuss the measures to be taken regarding weak points and the bank's conduct to address them.
- In accordance with the guidelines issued on governance, the audit committee should give the control and supervision sector a quarterly report to be discussed with the BOD, and take corrective actions regularly.

- The bank's management should report control and supervision of the decisions, facts and developments that seriously influence its financial position, especially regarding issues that demand holding meetings between the bank and the external auditors or the relevant regulatory authorities. In the light of such information, the CBE necessitates the participation in such meetings.

External Auditors

- The internal audit should coordinate with the external auditors particularly when discussing with the senior management, BoD and Audit Committee and regarding the recommendations on improving Internal Control in the light of Article 84 of the CBE Law.
- The internal audit department provides the external auditor with the needed internal audit reports highlighting issues of significance to the internal auditor and that may have an effect on the CBE's business.
- Efforts of internal audit and the external auditors are coordinated and efficient communication channels are set to discuss risk-related activities and identify weaknesses in addition to the related procedures taken, and to comprehend risk management strategies adopted by the bank, within the domain of article (27) of the executive rules for the law of the CBE.

Functions of Compliance and Corporate Governance Group

Compliance is the adoption of specific policies and procedures to verify that all of the bank's business activities are carried out in accordance with the related local laws and international regulations. Omission or failure to comply with such procedures may not merely lead to encountering legal sanctions and financial penalties, but may further negatively influence the bank's long-standing reputation. However, the responsibility for upholding the bank's good reputation does not only fall upon the Compliance Division; rather it is the duty of all of the bank's employees.

The compliance function is meant to set and implant firm, efficient and developed control policies, systems and tools to guarantee the bank's commitment at all times with the current work regulations, in accordance with applicable legislation and regulatory guidelines. This allows the bank to encounter and resist any possible hazards relating to the abuse of unlawful or suspected aims, especially financial crimes involving money laundering activities. Banks should be well-aware of non-compliance risks which stem out of their non-adherence to the regulations, laws and/or controls issued by the regulatory authorities. Such hazards may involve financial loss or jeopardy of the bank's reputation. Thus, senior management is responsible for adopting policies in respect of the compliance function, with an undertaking to communicate such policies to all of the bank's staff after being verified by the BoD. The Compliance Officer is independent and presents their report to the Audit Committee and BoD. The CBE's consent is obtained with respect to the appointment of the Compliance Officer.

Main Duties and Responsibilities

- The major task of the "Compliance and Corporate Governance Group" is to supervise the compliance of the bank's units with all regulatory demands. Accordingly, the Group guarantees that the bank has an effective and appropriate system to define and manage the requirements of compliance with all regulatory rules in all of the countries in which it operates.
- The Group keeps adequate communication channels with the respective regulatory bodies for the aim of achieving compliance tasks, involving the submission of needed reports to these bodies and replying to their inquiries.
- The Group follows up on the bank's activities to verify the application of the related legislation in addition to local and international guidelines. It further follows up on problems to verify that the suitable corrective actions are taken and that the bank's policy on anti-money laundering is in compliance with the Anti-money Laundering Law, its modifications and executive rules as well as CBE's instructions, the rules and practices issued by international organisations.
- The Group checks and approves all proposed advertisements to comply with the guidelines issued by CBE's Control and Supervision Department.
- The Group constantly follows up on the bank's compliance with the applicable laws and regulatory rules and controls involving governance policies and systems. Any deviations are reported by the Group to the appropriate management level and/or the BoD (if needed) and the Audit Committee.

- The Group receives whistle-blower reports on malpractices, unethical conduct, or failure of a manager or employee to comply with laws and regulations, etc., in the workplace for investigation.
- The Group measures the possible effect of any regulatory changes on the bank and communicates to employees any change in the applicable rules or regulations regarding operations and activities.
- The Group regularly follows up on the efficient correction of compliance weaknesses.
- The Group checks the compliance of any new products and/or procedures introduced by the bank with the applicable laws and regulatory rules.
- The Group verifies that all anti-money laundering procedures are applied within the bank according to the Egyptian Law No. 80/2002 and the related international regulations.
- The Group sets and supervises the enforcement of the Code of Ethics by the employees and senior management.
- The Group sets and supervises the enforcement of the Governance Manual.

Disclosure and Transparency

Banks shall verify precise and timely disclosure of all considerable issues, taking into consideration the volume and complexity of its operations, risk appetite and ownership structure. The bank's creditors, shareholders, customers and stakeholders have to be aware of the bank's strategies and be capable of assessing its performance. Banks shall also create several channels of communication available to exchange information, such as annual reports, reports to regulatory authorities and websites.

Rules of transparency require the disclosure of the following information:

- Composition and structure of the bank's BoD;
- Experience, responsibilities and qualifications of the bank's BoD;
- Bank's ownership structure;
- Bank's organisational structure, for instance, role structure, business missions, affiliated and associated companies and BoD's committees;
- Code of Ethics;

- Bank's policies in relevance to conflicts of interest, insider transactions and dealings with affiliated and associated companies;
- Bank's policy on governance practices;
- Bank's policies concerning employees' compensation and benefits, involving directors' and senior executives' remuneration, disclosing the overall amount paid to the top twenty collectively (involving allowances, salaries, fringe benefits and any other cash benefits);
- Policy on the bank's corporate social responsibility;
- Issues of internal auditing and compliance duties as well as possible risk elements; and
- Disclosure of financial statements verified by the independent external auditor and the notes to the accounts which show the bank's financial position and performance.

Code of Ethics

The Code of Ethics of the bank's staff and senior management is regarded as a generic statement explaining the work rules and regulations and ethical policies applicable in the Bank. Upon giving their consent, the employee is to be held responsible for its contents as they sign an acceptance of committing to and complying with the Code of Ethics before beginning any work. Any modifications to this Code will be communicated to all employees. In accordance with the applicable laws, any failure to abide by the instructions stated in the Code of Ethics may expose the employee to investigation, civil or criminal penalties or disciplinary actions. Any misconduct by the employees may lead the bank being exposed to legal actions, prosecution or penalty which would in turn affect the bank's reputation, thus giving rise to an operational loss that negatively influences the bank's operating outcomes.

i. Abiding by the Code of Ethics and Whistle-blowing

- All employees should commit to the contents of the Code. Regardless of their positions and ranks, all of the bank's employees must instantly report to the Code of Ethics Officer any violations resulting from conducts or practices that are thought to be invalid, unsuitable or unethical. The Code of Ethics Officer is essentially in charge of the oversight of compliance with all rules, laws, legislation and regulatory instructions and the bank's Code of Ethics, internal strategies, policies and procedures. It should be realised that any reports on violations within the bank will not be ignored.

- If the employee involved in these violations reported them, this would be taken into account during the investigations.
- Upon verification of such violations of Code of Ethics, corrective actions would be taken in accordance with the consequences of this violation by means of coordination between the Compliance Division and the Internal Audit Division, Legal Division and the Human Resources Division.
- The Compliance Department is held responsible for regularly revising and updating of the Code of Ethics in addition to verifying its consistency with the bank's new policies and procedures.

ii. **Whistle-blower Protection Policy**:

Banks should be keen to provide a sound and favourable work environment based on ethical values that enhances integrity, accountability and transparency. Their Whistle-blower Protection Policy shall aim at providing a safe channel for employees so as to eliminate their fears and to assure them that they will be protected against any harm or retaliation as a result of reporting such practices.

The policy shall provide protection to whistle-blowers who report any malpractices that do not comply with the bank's Code of Ethics. This policy helps senior management reveal any corrupt or unlawful behaviour so that the required procedures can be taken. This will control such unlawful or unethical practices and contribute to creating a sound work environment that boosts the employees' ethical values.

Conflict of Interest Policy

The BoD verifies the policies on settling any possible conflict of interest and oversees their application to the BoD, executive management, staff and any other party directly/indirectly relevant to the bank. These policies involve the following:

1. Directors/senior executive officers should disclose to the BoD any direct/indirect financial interest for their benefit / on behalf of third parties in relevance to any transactions/actions with direct influence on the Bank.

2. A director, in their personal ability or as a representative of third parties, may neither act as a director nor take part in management or consultancy roles in another bank under the CBE's oversight.
3. The BoD may not intervene in the bank's day-to-day activities and must ensure oversight without intervention.
4. The Bank may not offer finance, credit facilities, advances or guarantees of any kind to its Chairman, directors, auditors, their spouses, sons or second-degree relatives or to an organisation in which those individuals, their spouses, sons or second-degree relatives are partners or shareholders in which they have control or in which they occupy the position of directors.
5. The bank may issue e-payment cards for its directors to be used in debiting their credit current accounts only.
6. The BoD may appoint the bank's representatives in banks/companies where it holds equity participation for a single term (renewable once only). The BoD may alter its representatives before the end of board term, without prejudice to Article (43) of Law No. 88 of 2003 promulgating the Law on the CBE, the Banking Sector and Money, that reads as follows:

    > Without prejudice to the authority of the bank's general assembly, the Governor of the Central Bank shall be consulted on the appointment of the chairmen and members of banks' boards of directors, in addition to the executive directors that are responsible for credit, investment, portfolio management and external transactions involving swaps; and internal inspection. The Governor shall be consulted on a list of candidates introduced by the parties concerned, for submission to the Board of Directors of the Central Bank.
    >
    > Following the submission of the matter to the Board of Directors, the Governor of the Central Bank may ask for the elimination of one or more of those mentioned in the former clause if, through inspection of the banks, it is established that they have violated safety rules of depositors' funds and the bank's assets. If the required elimination does not occur, the Governor may release a substantiated decision for discharging any of them from their work. The party concerned may complain to the Board of

Directors of the Central Bank against the decision of their removal, within sixty days from the date of notifying them of the decision.

7. The BoD shall verify policies ensuring fair treatment and equality, as per the applicable rules and regulations, of customers without preferential dealing of any party directly/indirectly relevant to the bank.
8. Officers responsible for preparing reports on potential conflict of interest shall enjoy protection.
9. Other concerns stipulated under the title "Conflict of Interest" in the Code of Ethics of staff and senior management shall be noted.

Governance Report

The BoD prepares an annual report signed by the Chairman or the Head of the Governance Committee. This report is revised by an external auditor to evaluate the BoD's commitment to governance rules. This report is submitted to the General Assembly in its annual meeting. The governance report may be released as a separate report, along with the auditor's opinion on the BoD's commitment to governance rules, in the bank's annual report. The governance report chiefly assesses the effectiveness of the bank's governance function, spots obstacles and weaknesses so that they can be eliminated in the future and improves effectiveness of governance function within the bank.

Appendix L: Robustness Check

Multiple Regression Results of First Empirical Model

	Model 1			**Model 2**			**Model 3**		
Independent	Coefficient	t	Sig.	Coefficient	t	Sig.	Coefficient	t	Sig.
Constant	0.373	1.025	0.326	6.178	0.698	0.498	12.147	1.574	0.124
Transparency	1.472	2.257	0.043*	40.385	2.55	0.025*	-0.284	-0.819	0.429
Accountability	-4.065	-0.805	0.437	-71.551	-0.583	0.571	-2.902	-1.454	0.172
Control	-0.684	-1.842	0.19	-13.565	-1.504	0.158	-0.051	-0.137	0.893
Coordination and Integration	2.679	1.254	0.234	49.905	0.962	0.355	-0.242	-0.712	0.49
Adaptability	0.622	1.572	0.142	-2.932	-0.305	0.765	-0.38	-0.998	0.338
Sound risk culture	-3.703	-3.122	0.009*	-79.887	-2.773	0.017*	-0.14	-0.243	0.812
Leadership and Ethical tone at the top	-0.49	-1.201	0.253	-13.997	-1.413	0.183	1.949	3.198	0.008*
Ethics and Integrity	2.101	1.614	0.133	60.321	1.908	0.181	1.059	0.871	0.401
Commitment	-0.006	-0.007	0.995	-1.815	-0.084	0.934	-1.654	-2	0.069
Communication	-0.658	-1.067	0.307	-19.894	-1.329	0.209	-0.533	-0.481	0.639
Adjusted R square	0.758			0.569			0.444		
F	3.761			3.158			2.954		
Sig. F	.017			.024			.048		
No. of banks	23			23			23		

*, **, *** indicates significance at 1%, 5% and 10% levels respectively.