
Do corporate governance practices affect the financial performance of international hotel chains in Egypt? The threshold regression model

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Abstract

This study enriches the literature on hotel governance by adopting an advanced panel threshold regression model to empirically examine the relationship between corporate governance practices and the financial performance of international hotel chains in Egypt. To this end, the current study designed a corporate governance index (CGI) which consists of four attributes (i.e., the composition of the board of directors, board independence, shareholders' rights, and disclosure of information). The measures of financial performance were the return on assets and book value per share. Similarly, the effects of some control variables such as firm age and size have also been examined. Data was collected through a questionnaire survey dealt with a panel of 45 representatives of the key international hotel chains in Egypt. The findings proved that the relationship between the governance practices and the financial performance of the investigated hotel chains is marked by the presence of a threshold effect. Below this threshold, the CGI hasn't a significant impact on the financial performance. However, above this threshold, it significantly improves the financial performance of the Egyptian hotels.

Keywords: Corporate governance, financial performance, hotel chains, threshold analysis.

Background

As indicated by the Organization for Economic Cooperation and Development (OECD), corporate governance is defined as "*the arrangement of guidelines, controls, and methods that achieve better protection and harmony between the interests of the organization's directors and shareholders and also other related partners*". These tenets incorporate matters relating to corporate law and securities laws, and the stock enrolment trade guidelines, and accounting models which apply to the recorded organizations, and rivalry laws, and the laws of insolvency and others. The primary target of corporate governance is to avoid the gap that can occur between chiefs and proprietors of the organization and thus control the negative practices that could affect the organization (Crowther and Jatana, 2005).

The governance structure determines the dispersion of obligations and rights among various members of the firm, (for example, the board of directors, managers, shareholders, banks, inspectors, controllers and different stakeholders). It likewise sets out the principles and methods for decision-making in corporate issues (Ueng, 2016). The governance is an instrument for checking the activities, strategies, and choices of firms. Governance adjusts interests among stakeholders (Guetat *et al.*, 2015). The corporate governance arranges the instruments that administrate the coordination of the managerial decisions to enhance the organizations' performance. As indicated by Dharwadkar *et al.* (2000), the corporate governance has been distinguished as fundamental and key to every financial transaction. Mayer (1997) stated that corporate governance characterizes managers' interests and guarantees that organizations are kept running in favor of directors.

In the issue of corporate governance has received increased attention in recent years because of the political instability in addition to the regional and local security risks, which had a negative effect, especially on the tourism sector. This led the government to adopt an economic reform program to improve Egypt's public finances. In such of economic environment, the ministry of investment through the Egyptian Institute of Directors (EID) issued the Egyptian Corporate Governance Code (ECGC) as a set of guidelines and standards for the companies listed in the Egyptian Exchange market. The guidelines include many provisions the objectives of which are to guarantee the rights of all shareholders as well as various stakeholders. Transparency is one of the pillars of corporate governance. The guidelines incorporated into this code focus on different components of the corporate governance, especially the general assembly, boards of directors, internal control departments, outer examiners, the disclosure of social arrangements, and dodging irreconcilable circumstances (The Egyptian Center for Economic Studies, ECES, 2017).

Governance practices may vary in the hotel industry than in other firms, due to the distinctive characteristics of this industry (Zhang *et al.*, 2009). Hotels are operated in a highly dynamic market where customers' preferences and expectations are constantly changing (Yeh and Trejos, 2015). To survive in such a turbulent environment, hotels' boards must ensure that they are able to make timely decisions responsive to the changing demands of customers. Another characteristic is the separation of ownership from the management function and various actors. For this purpose, major shareholders can play a crucial role as an alternative supervisory mechanism in the governance system to help hotels monitor management activities. In addition, hotels are at a high level of interaction with the external environment and diverse suppliers. The Resources Dependence Theory argues that the diversity in a board can increase the ability to manage external interaction and meet different suppliers' requirements. This characteristic may encourage hotels to choose board members

with diverse demographic characteristics (Yeh and Trejos, 2015). A powerful corporate governance system is an important tool to reduce conflict of interest between stakeholders and management (Pandya, 2011). Indeed, there is an urgent need to apply the practices of corporate governance in the hotel industry to protect the interests of all stakeholders, including shareholders, where corporate governance ensures confidence not only for shareholders but also for other stakeholders.

Numerous empirical studies investigated the challenges and assessed the progress of corporate governance in Egypt (Fawzy, 2003; Bremer and Elias, 2007; Omran *et al.*, 2008; Desoky and Mousa, 2012; Attia and Hegazy, 2015). While these studies provided important findings, there is still a dearth of the Egyptian literature regarding the influence of corporate governance practices on firm financial performance in the hotel sector in Egypt. This study is an attempt to address this gap by empirically examining the relationship between corporate governance practices (i.e., the composition of the board of directors, the board independence, the shareholders' rights and disclosure of information) and the financial performance of international hotel chains in Egypt.

Corporate governance components

The composition of the board of directors

With respect to the composition of the board of directors, the ECGC code stated that firms should have a board of directors that is responsible for closely monitoring the general status of the firm without delegation of this task to others (The ECGC, Rule 3-7). The board should set out rules and procedures that ensure the company's compliance with existing laws and regulations and disclosure of information to shareholders, creditors, and other stakeholders (The ECGC, Rule 3-8). Further, the board is responsible for reviewing internal controls and assessing their appropriateness and efficiency (The ECGC, Rule 3-19), and also is responsible for risk management in accordance with the nature of company's activities, size, and market in which it operates; specifically, the board assumes the responsibility for laying down a strategy for identifying threats faced by the company, means of managing them, and the degree of operational risk exercised (The ECGC, Rule 3-25). With regard to board composition, the code stated that the board should comprise a majority of non-executive directors with an appropriate mix of skills and technical and analytical experience. Board size is a factor that has implications in terms of securing resources, building relationships with the external environment and providing advice to management (Yeh and Trejos, 2015). Large-sized boards face coordination and communication problems that might influence the board effectiveness. Therefore, small board size is expected to be more effective in monitoring corporate management (Vintila and Gherghina 2012).

Independence of the board members

The ECGC code stated that an independent audit committee should be comprised of at least three non-executive board members, at least one of whom should have adequate financial and accounting expertise. If the number of non-executives on the board of directors is less than three, one or more members maybe appointed from outside the company (The ECGC, Rule 6-1). The independent audit committee is responsible for performing many functions, including evaluate the efficiency of the financial manager and other financial staff; examine internal controls; review financial statements before submission to the board of directors; reviewing the company's accounting policies; reviewing the audit plan with the external auditor; assessing the qualifications, performance, and independence of the external auditor and providing recommendations regarding external auditor appointment and remuneration; approving the external auditor's engagement to provide non-audit services and determining appropriate remuneration; and reviewing the internal audit plan and assessing its efficiency and capacity (The ECGC, Rule 6-2). Finally, the code stated that the independent audit committee should meet periodically at least once every three months with a specified agenda (The ECGC, Rule 6-3). On the other hand, some scholars, such as Bazerman and Schurman (1983), and Pearce and Zahra (1989) believed that the presence of independent board members can add many advantages to the company. Melis (2005) confirmed that the main reason for the failure of the Parmalat Corporation in Italy was the lack of independent directors on the firm boards. On the other hand, other researchers, such as Aggrawal and Samwick (1999) found a negative relationship between the independence of the board and the company's performance.

Shareholder rights

According to Aglietta (2008), the presence of institutional shareholders helps influence decisions because of availability of resources thus promoting shareholder rights. Shareholder rights can be represented by institutional ownership structure. According to Demsetz and Villalonga (2001), the ownership structure of a corporation is determined by the proportion of shares owned by corporate managers and shareholders. Shareholder rights are determined by their ownership interests in a corporation. Institutional ownership structure was measured by the percentage of shares held by institutional investors. Gompers *et al.* (2003) found that firms with stronger shareholders' rights have higher firm value, profits, sales growth, and lower capital expenditures, while also making fewer corporate acquisitions.

Information disclosure

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Enhancing corporate disclosure is one of the pillars of corporate governance. The corporate governance framework should ensure timely and accurate disclosure of all information related to the establishment of the firm, particularly those related to the financial position, performance, ownership, and practices of authority. Firms must be persuaded that the disclosure of information is a favorable position, not a burden. In this specific circumstance, the absence of deliberate demand from the present or potential investors is the fundamental factor behind why the firms with governmental or private capital demonstrate no enthusiasm in publishing the information (Man and Ciurea, 2016). The presence of a transparent structure of proprietorship is vital for shareholders with the goal that one could assess to what degree they can affect the basic leadership process and furthermore for the fight against unfair transactions.

Corporate governance and financial performance

For instance, Aboagye and Otioku (2010) found no significant relationship between the status of corporate governance among country and community banks in Ghana and their financial outcomes. Within the same context, Makki and Lodhi (2014) found no immediate relationship between corporate governance and a firm's financial outcomes. In the Egyptian settings the results Shahwan (2015) did not bolster a positive relationship between corporate governance practices and financial outcomes. Moreover, there was an inconsequential negative relationship between corporate governance practices and the probability of financial distress.

In contrast, different studies reported a positive impact of corporate governance on the financial outcomes. (Drobetz *et al* 2004 ; Brown and Caylor, 2006) The majority of studies in developing markets confirmed the positive relationship between good governance practices and good corporate performance or evaluation (e.g. Leal and Carvalhal-Da-Silva, 2005 ; Black *et al.*, 2006_b ; Cheung *et al.*, 2008).

A study by Gompers *et al.* (2003) concentrated on the relationship between shareholder rights, as deliberated by corporate governance provisions, and firm financial outcomes. The authors used 24 provisions and framed a corporate governance index called a Governance Index (G-Index) as a proxy for the balance of the relationship between shareholders and the board of directors. Afterward, the authors discussed how the key financial performance indicators are affected by the level of G-Index, for example, net revenue, return on equity and sales development. The results showed that firms with feeble shareholder rights made fewer returns, had brought down firm value and had worse operating outcomes than those with solid shareholder rights. In addition, Mohanty (2004) affirmed the presence of a critical positive relationship between corporate governance rehearses and financial performance, as measured by Tobin's Q and excess stock return. A finding reliable with Wahba (2015) utilizing an example of 40 Egyptian-recorded firms shows that expanding the extent of non-executive board members under CEO duality influences firm financial performance negatively.

Taking into account the above-mixed results, the predictable positive effect of internal and external corporate governance approaches is greatly influenced by the environment. Hence, the present empirical study seeks to reevaluate whether corporate governance practices can positively enhance the financial performance of Egyptian hotel chains. The current study adopted Hansen's (1999) advanced panel threshold regression model to determine whether there is a threshold impact of governance practices on the financial performance of international hotel chains in Egypt or not. In contrast to traditional linear models, the nonlinear threshold model is able to determine which is predominant the positive or negative influence.

Methodology

To explore the relationship between corporate governance and financial performance, the current study employed a cross-sectional data analysis based on the complete census of international hotel chains located in three significant tourist regions in Egypt; namely, Greater Cairo, South Sinai (Sharm-El Sheikh), and Red Sea (Hurghada, Safaga, El Gouna, and Marsa Alam) over 2016/2017. Because of the size of the population and its discrimination in several governorates, the final questionnaire survey has been managed through an online survey development cloud-based site: SurveyMonkey. This technique proves to be the most suitable and economical technique that can be applied in order to collect data.

The online survey, was sent via e-mails, from December 2016 to May 2017, to the chief executive officer (CEO) of each establishment because this is the only person in the hotel who can answer all questions related to corporate governance and firm performance. A total of 49 hotel managers answered the questionnaire that is, 21.4% of the total listed hotel chains at the end of 2016.

Measurement of variables and descriptive statistics

A multiple-item method has been adopted to structure the questionnaire. Most of the items were rated on a three-point Likert scale ranging from (1) strongly disagree to (3) strongly agree. The questionnaire was divided into two main parts. The first part asked the respondents to identify the profiles of their organizations, including the type of the company, the duration of the company operation, the company paid-up capital, the approximate annual income, the company total assets and the current book value of the company. In the second part the respondents were requested to elicit responses to corporate governance practices in the investigated

hotels. Two measures of financial performance have been selected as proxies for financial performance: the return on assets (ROA) and the book value per share (BVS). These two measures are the most common measures employed in empirical corporate governance research.

The independent variables included the variable of interest which is the corporate governance index (CGI) and the control variables. The CGI has been constructed to assess the quality of corporate governance practices. The CGI is between 0 and 100 and was composed of categories which reflect the four dimensions of CGI, as follows: the composition of the board of directors (size and duality); board independence; shareholder rights; and disclosure of information. The CGI was designed based on the governance indices developed in previous studies. For example, Chong *et al.* (2009) designed an index of 55 indicators of good corporate governance practices that Mexican companies can voluntarily adhere to. In the same vein, Leal and Carvalho-Da-Silva (2005) built an index for the Brazilian companies of 24 practices. These studies found a positive connection between their indicators and valuation.

To investigate the impact of corporate governance on the financial performance, certain control variables derived from the previous literature such as firm size and firm age have been included in the analysis to control a firm's financial condition and to avoid any specification errors in the estimated model. The *SIZE* is measured by several ways: for example, total assets; total sales; and total employees. There is no overwhelming theoretical or empirical evidence supporting the use of a particular measure (Galbreath, 2012). The literature offers a range of disparate findings concerning the effect of the size on the corporate financial performance. Earlier Goddard *et al.*, (2005) for example reported a negative influence of firm size on profitability, others (Papadogonas *et al.* (2007) demonstrated a positive relationship between the size of the firm and its performance. The relationship between firm age and financial performance is contentious. While Papadogonas *et al.* (2007) and Akinyomi and Olagunju (2012) argued the positive and significant relationship between age and profitability, others (Coad *et al.* 2007) demonstrated a negative relationship.

Research model

To study the relationship between corporate governance and financial performance, the current study applied the panel threshold regression model as defined by Hansen (1999). This model can allow for more flexible regression functional forms by splitting data with certain unknown threshold values (Wang and Lin, 2010). As an extension of the traditional lower squares estimation method, Hansen's regression model requires that variables in the model be constant to avoid marginal reversals. Thus, the study first performed the Locally Weighted Scatterplot Smoothing (LOWESS) method to find the curve of best fit between corporate governance and financial performance. Based on the results, it was abundantly clear that the relation between the CGI and the financial measures is not linear and expect a threshold effect. Therefore, this paper examined whether or not there is a threshold effect between the governance practices and the financial performance of international hotel chains in Egypt. Thus, the study set up a single threshold model as follows:

$$\begin{cases} Perf_i = \alpha_0 + \alpha_1 AGE_i + \alpha_2 SIZE_i + \alpha_3 GOV_i + e_i, q_i \leq \gamma \\ Perf_i = \alpha'_0 + \alpha'_1 AGE_i + \alpha'_2 SIZE_i + \alpha'_3 GOV_i + e'_i, q_i > \gamma \end{cases} \quad (1)$$

Where $Perf_i$ is a measure of financial performance (ROA or BVS), AGE_i is the age of the firm, $SIZE_i$ is the size of the firm, e_i is the regression error, q_i is the threshold variable and is used to split each sample (1 and 2) into two groups, which we may call "regimes".

Results and discussion

Table (1) summarized the descriptive statistics for CGI, controls, and performance measures in the investigated sample.

Table (1): Descriptive statistics of corporate governance and financial performance (n=45)

Variables	NOBS ¹	Mean	Std. Dev.	(p-value)
Dependent variables²				
ROA	45	6.08	6.810	3.64
BVS	45	1.58	2.732	1.89
Independent variable³				
CGI ₁ (Board composition)	45	12.43	5.498	20
CGI ₂ (Board independence)	45	5.85	2.587	22
CGI ₃ (Shareholder rights)	45	1.79	0.450	14
CGI ₄ (Disclosure of information)	45	1.45	0.497	20
Control variables⁴				
AGE	45	20.28	0.458	25
SIZE	45	22.22	0.849	6.02

¹ NOBS represents the number of the observed firms. ² The dependent variable is the firm performance, which is denoted by ROA and BVS. The Return on Assets (ROA) is calculated as the net income divided by total assets. This variable determined the asset average return for the year 2016/2017. Whereas, book value per common share (BVS) is computed as the total shareholder equity minus preferred equity divided by total outstanding shares. ³ Governance measure is represented by the CGI score and its four main components. All variables were analyzed at the 1 percent level. ⁴ The AGE was computed as the number of operating years since the company was introduced to the Egyptian hotel market. SIZE is the total assets of the company.

Board composition was the first important internal dimension that was examined in the CGI. The size of the board of directors and CEO duality were important sub-indices comprised under this dimension. As shown in

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Table 1, the average number of board members in the international hotel chains in Egypt was 12.43 with a minimum of 6 and a maximum of 16. It is believed, according to the results of some previous studies, that this size is not efficient since the ideal size of the board of directors shouldn't be greater than 8 or 9 members (Reddy and Locke, 2010; Uwuigbe and Fakile, 2012). The larger boards face problems of coordination and communication that can affect the boards' effectiveness. Therefore, small board size was expected to be more effective in monitoring corporate management (Vintila and Gherghina 2012).

In the Egyptian context, Elsayed (2013) found a positive relationship between the board size and corporate performance. Nevertheless, Beiner *et al.* (2004) believed that there is no noticeable relation between firm performance and board size in the Swiss context.

The second component of the board composition was the separation between the functions of the Chairman and the Chief Executive Officer (CEO). The arithmetic mean of this parameter is 0.03, which is close to zero with an average of 0. This indicates that most international hotel chains in Egypt separate the CEO from the Chairman of the board, as recommended in many studies. For example, Coles *et al.* (2001) found that if the CEO and chairman is the same person, he could take biased decisions. Moreover, there is evidence that the market value of the company decays under duality (Carter *et al.*, 2003) In Egypt, Elsayed (2007) examined the linkage between CEO duality and corporate performance for 92 Egyptian firms from 2000 until 2004. The findings exposed that there is no confirmation in regard to the influence of CEO duality on the corporate performance. Duplication of the CEO can be better for the company if the CEO/Chairman has a good understanding of the company and business in general, as suggested by Van Ness *et al.* (2010).

Board independence was the second important internal dimension that was examined in the CGI. As shown in Table 1, the average number of independent board members is 5.85 with a minimum of 0 and a maximum of 12. Taking into account the average board size of 12.43 It beams evident that approximately one-half of the board members are independent. Some scholars, such as Bazerman and Schurman (1983), and Pearce and Zahra (1989) believed that the presence of independent board members conveys many advantages to the company. Additionally, Anderson *et al.* (2004) found that board independence and board size were associated with increased accounting report integrity, and thereby a lower cost of debt financing. However, other researchers, such as Mishra *et al.* (2001) concluded no significant relationship between firm performance and the existence of outside directors in family-owned companies. Also Klein (2002) found that board independence is negatively associated with abnormal accruals.

The mean for the third CGI dimension which is the shareholder rights was 1.79 with a standard deviation of 0.450. This result suggests that shareholders in the surveyed hotels are not actively participating in the decision-making process. According to Aglietta (2008), the presence of institutional shareholders helps influence decisions because of availability of resources thus promoting shareholder rights.

The final important internal dimension that was examined in the CGI was the disclosure of information.

The mean percentage for this dimension was lower than the average 1.45 with a standard deviation of 0.497.

The data in Table 1 showed statistics summary of the two control measures (AGE and SIZE). The age of the firm is a proxy for experience and may also be a point of attraction for employees who see the older firm as safe and steady, and a place to build careers on a long-term basis. On average, the age of the surveyed hotel chains was 20.28 years. The highest age was 45 years and the lowest firm age was 9 years. More than one-quarter 36% ,of the hotels had operated for more than twenty years. In addition, 44% of the hotel chains had operated for a period ranging between 10 and less than 20 years. Therefore, it may be inferred that the firms in this study have experience, and they were also likely to be of fairly well-known brands. In terms of size, the largest hotel chain in the sample had total assets of \$205 billion during the study period. The smallest chain in the sample had total assets of \$2.56 billion. The majority of the surveyed hotel chains fall within the definition of large size. For this study, a firm was considered large if it had an average of at least \$100 million total assets during the sample period. This is not surprising when considering that generally, international hotel chains in Egypt tend to be of a medium to large-size.

Finally, Table 1 showed the statistics summary of the two estimated financial performance measures. The mean estimate for ROA for the surveyed hotel chains was 6.08 with a standard deviation of 6.81. The highest and lowest ROA were 17% and 1% respectively. A higher ROA was an indicator of how profitable a firm is with respect to its total assets. ROA gives a thought with respect to how proficient management is utilizing its assets to generate profits. The mean BVS for the sampled chains was 1.58 with a standard deviation of 2.73. The decline in financial indicators may be attributed to recent unstable political upheavals. The international image of Egypt as a 'safe tourist destination' was tarnished due to protests, demonstrations, violent incidents and terrorist attacks.

According to the surveys conducted by the Egyptian Center for Economic Studies (ECES, 2017), the tourist traffic had drastically decreased in 2017 compared to 2010 by 14.2%. The number of tourist nights had decreased by 20.3% for the same period. Hotels' occupancy rate had also come down by 75.4% in 2017 compared to 2010 (ECES, 2017).

The impact of the CGI on the financial performance

The results of the statistical analysis were supported by conducting a panel threshold regression analysis whereby the dependent variable was one of the firm’s performance measures: ROA and BVS. The findings reported in Table 2 showed that the relationship between CGI and the financial performance is not linear; it was characterized by the presence of a threshold effect and this for both financial performance measures used in this study (ROA and BVS). Below the threshold level of 0.69 the CGI had a negative and significant effect on the financial performance (specification 1, regime 1), meaning that a bad governance hinders hotel to realize good financial results. However, above this threshold, a good corporate governance enhances the financial performance of the hotels (specification 1, regime 2). Hence, the Egyptian hotels are required to enhance their governance systems.

Table (2): The CGI and the financial performance

Dependent variables: ROA and BVS				
C	Regime 1 $u_{i,t} \leq \gamma = 0.697$		Regime 2 $u_{i,t} > \gamma = 0.697$	
	Specification 1	Specification 2	Specification 1	Specification 2
	Coef.	Coef.	Coef.	Coef.
	-1.55*** [0.496]	-0.409 [0.340]	0.113 [0.115]	0.098 [0.183]
CGI	-0.071*** [0.025]	-0.172* [0.126]	2.490*** [0.752]	1.513*** [0.554]
AGE	-	-0.134*** [0.026]	-	0.022 [0.028]
SIZE	-	-0.064*** [0.013]	-	0.009 [0.009]
R ²	0.65	0.81	0.24	0.06

*** Significant at 1% level, ** significant at 5 % level, [] is the standard deviation.

Furthermore, the explanatory control variables analyzed were found to be statistically insignificant at 1 percent level (specification 2 in regime 1 and 2). The results show a negative relationship between firms’ age and the financial performance measures for the first sub-sample, this means that the older hotels , the lower profitability. These empirical findings suggest that Egyptian hotels tend to perform worse as they get older. This finding is in accordance with the result of Loderer and Waelchli (2010). The negative relationship between firm age and financial performance was argued by Jawahar and McLaughlin (2011) who asserted that "like people and plants, organizations have a life cycle time of flourishing strength and a gnarled old age is inevitable".

Contrary to what has been reported in the previous studies, the present results show a negative relationship between firm size and financial performance(regime). This can be explained by the structural inertia theory : as the organizations become larger, the volume of bureaucracy increases and so does stiff resistance to change which will ultimately decrease the level of profit (Guetat *et al.*, 2015).

To further investigate the relationship between each governance corporate component and the financial performance we adopted the following model:

$$\begin{cases} Perf_i = \alpha_0 + \alpha_1 AGE_i + \alpha_2 SIZE_i + \alpha_3 CGC_i + e_i; q_i \leq \gamma \\ Perf_i = \alpha'_0 + \alpha'_1 AGE_i + \alpha'_2 SIZE_i + \alpha'_3 CGC_i + e'_i; q_i > \gamma \end{cases} \quad (2)$$

The model was estimated by regressing each of governance indicators one at a time (Table 3).

Table (3): Corporate governance and financial performance

	Dependent variables: ROA and BVS							
	Regime 1 $u_{i,t} \leq \gamma = 0.55$	Regime 2 $u_{i,t} > \gamma = 0.55$	Regime 1 $u_{i,t} \leq \gamma = 0.61$	Regime 2 $u_{i,t} > \gamma = 0.61$	Regime 1 $u_{i,t} \leq \gamma = 0.58$	Regime 2 $u_{i,t} > \gamma = 0.58$	Regime 1 $u_{i,t} \leq \gamma = 0.60$	Regime 2 $u_{i,t} > \gamma = 0.60$
C	0.111** [0.496]	0.080 [0.135]	-0.034 [0.141]	0.266*** [0.072]	0.023 [0.147]	-0.301 [0.558]	-0.625** [0.279]	-0.142 [0.182]
AGE	-0.290** [0.012]	0.078** [0.042]	0.030 [0.028]	0.001 [0.010]	0.028 [0.028]	-0.020 [0.031]	0.142*** [0.028]	0.023 [0.024]
SIZE	0.006 [0.006]	-0.007 [0.015]	0.013 [0.010]	-0.081*** [0.011]	0.004 [0.012]	-0.048** [0.023]	-0.018 [0.023]	0.001 [0.010]
BC	-0.079 [0.089]	0.213** [0.135]	-	-	-	-	-	-
BI	-	-	-0.059 [0.256]	0.225*** [0.089]	-	-	-	-
SR	-	-	-	-	-0.095 [0.206]	0.945 [0.886]	-	-
DI	-	-	-	-	-	-	0.850** [0.444]	0.197 [0.190]
R ²	0.13	0.25	0.09	0.93	0.05	0.59	0.47	0.45

The results reported in the Table 3 prove that only the relationships between the corporate financial performance and the board composition, the board independence, and disclosure of information were significantly not linear. Below their respective threshold levels 0.55 and 0.61 board composition and board

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independence hadn't a significant effect on the corporate financial performance. above these thresholds, board composition and board independence have a positive and significant effect on the financial performance. Therefore, improvement of these governance components leads to improvement of financial results. Disclosure of information was positively and statistically significant as long as it was below the threshold level 0.6. This leads the authors to think that disclosing information was good until a threshold level. The researchers believe that the explanation for the very low levels of information disclosure by the sample hotel companies might be attributed to the fact that this information might be of use to competitors, or, if disclosed, may be harmful to the hotel or may affect its potential customers. Examples of such confidential information include, but are not limited to, data and information relating to sales, marketing, marketing strategies and financial information. Moreover, the phenomenon of non-compliance may also be attributed to defects in the governance framework in Egypt.

Conclusions and implications

Using a sample of 45 international hotel chains, this study attempted to explore the levels of corporate governance practices and the influences of corporate governance (i.e., the composition of the board of directors, the board independence, the shareholders' rights and disclosure of information), on the financial performance of international hotel chains in Egypt. Similar studies had been carried out in other industries and reported inconsistent relationships between governance measures and firm performance.

Our primary finding implies that the investigated hotels, as a whole, recorded low levels of corporate governance practices, particularly in practicing distinctive attributes related to the composition of the board of directors, actively involving the shareholders in the decision-making process, and the commitment of the surveyed firms to provide voluntary disclosures about the best governance practices adopted by their firms. One implication of this study is that the Ministry of Tourism in Egypt should motivate all listed hotels to invest in more comprehensive corporate governance. Such investment is of essential to enhance the organizations' general competitiveness (Baek *et al.*, 2009; Pae and Choi, 2010). In addition, the implementation of a high level of corporate governance practices can directly affect pulling in more remote financial investors to the industry (Leuz *et al.*, 2009).

It was found that there is no significant relationship between the investigated practices of corporate governance and the financial performance of the investigated hotels as measured by (ROA and BVS). The relationship was characterized by the presence of a threshold effect. Below the threshold level, the corporate governance doesn't have a significant effect on the financial performance; however, above this threshold, good corporate governance enhances the financial performance of the hotels. These findings clearly demonstrate the need to promote and strengthen the adoption of corporate governance practices by hotel companies in Egypt. Similarly, the application of such practices in the hotel industry must also be controlled by the Egyptian legislative system, and enforcement and compliance with these practices is advisable to be mandatory. stake efforts should be exerted by the Ministry of Tourism and the International Hotel Chains to establish a formal code of the best practices of the Egyptian hotel sector.

Overall, the empirical results of the present study expanded the understanding of corporate governance practices in hotel companies in Egypt and its impact on corporate financial performance. Nonetheless, our findings are not decisive, due to various limitations related to the sample size and the period of analysis. The current study covered only the international hotel chains in Egypt and excluded other categories. Furthermore, the research questionnaire was directed only to the hotels' managers, where it was difficult to access other stakeholders and take their feedback. Hence, to validate the results, the sample size should be expanded. Future research is urged to examine the correlation between corporate governance practices and financial performance using panel data analysis. Apart from examining the impact of internal governance mechanisms on corporate performance, it is strongly recommended that future studies be undertaken to investigate the impact of the board's effectiveness. Another fruitful extension of this study is the study of the relationship between corporate governance and solid intellectual capital performance as well as the possibility of using other financial parameters such as Tobin's Q to measure firm performance.

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هل تؤثر ممارسات الحوكمة المؤسسية في الأداء المالي لسلاسل الفنادق الدولية في مصر؟
نموذج السلاسل الزمنية اللاخطية

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تثري هذه الدراسة الأدبيات المتعلقة بإدارة الفنادق من خلال اعتماد نموذج الانحدار المتقدم لدراسة العلاقة بين ممارسات الحوكمة المؤسسية والأداء المالي لسلاسل الفنادق الدولية في مصر. ولتحقيق هذا الهدف، صممت الدراسة الحالية مؤشراً لقياس ممارسات الحوكمة المؤسسية (CGI) يتكون من أربع ركائز (تكوين مجلس الإدارة، استقلالية مجلس الإدارة، حقوق المساهمين، الإفصاح والشفافية)، كما استخدمت الدراسة مقاييس الأداء المالي التي تعتمد على المعلومات المالية والمحاسبية المتاحة في الفنادق محل الدراسة وهي العائد على الأصول والقيمة الدفترية للسهم، وبالإضافة إلى ذلك، فقد تم دراسة تأثير بعض المتغيرات الضابطة مثل عمر الشركة وحجمها. تم جمع البيانات المتعلقة بممارسات الحوكمة المؤسسية والأداء المالي للفنادق من خلال مسح استبياني تناول (45) ممثلاً لسلاسل الفنادق الدولية الرئيسية في مصر. وتم الاعتماد على نموذج السلاسل الزمنية اللاخطية (ذات العتبة) لتحديد مدى وجود علاقة بين متغيرات الحوكمة الأربعة ومقاييس الأداء المالي. أثبتت النتائج أن العلاقة بين ممارسات الحوكمة والأداء المالي لسلاسل الفنادق التي تم دراستها تتميز بوجود تأثير عتبة. تحت هذه العتبة، فإن مؤشر الحوكمة المؤسسية لم يكن له تأثير كبير في الأداء المالي، ومع ذلك فإن مؤشر الحوكمة المؤسسية فوق هذه العتبة يحسن بشكل كبير الأداء المالي للفنادق المصرية.

الكلمات الدلالية: الحوكمة المؤسسية ، الأداء المالي ، سلاسل الفنادق ، نموذج السلاسل الزمنية اللاخطية (ذات العتبة).