International Journal of Entrepreneurship and Management Practices
IJEMP
EISSN : 2600-8750
Volume 9 Issue 34 (June 2026) PP. 730-737

INTERNATIONAL JOURNAL OF ENTREPRENEURSHIP AND MANAGEMENT PRACTICES (IJEMP)
www.gaexcellence.com/ijemp

THE RELATIONSHIP BETWEEN BOARD FUNCTIONAL STRUCTURE, CEO DUALITY, AND ESG REPORTING QUALITY: EVIDENCE FROM THE AMMAN STOCK EXCHANGE

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Article Info:

Article history:
Received date: 02.04.2026
Revised date: 07.05.2026
Accepted date: 25.06.2026
Published date: 30.06.2026

To cite this document:

Srouji, M. F., Ibrahim, S., Yusoff, W. S. (2026). The Relationship Between Board Functional Structure, Ceo Duality, And ESG Reporting Quality: Evidence from The Amman Stock Exchange. *International Journal of Entrepreneurship and Management Practices, 9*(34), 730-737.

DOI: 10.35631/IJEMP.934042

Abstract:

This study investigates the impact of board functional structure and CEO duality on the quality of Environmental, Social, and Governance (ESG) reporting among companies listed on the Amman Stock Exchange (ASE). Drawing on Agency Theory and Resource Dependence Theory, we analyze a sample of Jordanian firms following the introduction of the ASE 2022 Sustainability Reporting Guidance. Our findings aim to provide insights into how corporate governance mechanisms influence transparency in an emerging market context. The results have implications for regulators, investors, and corporate boards seeking to enhance sustainability disclosure practices.

Keyword:

ESG Reporting Quality, Board Functional Structure, CEO Duality, Amman Stock Exchange, Jordan, Corporate Governance.

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Introduction

In recent years, the global shift toward sustainable investment has placed immense pressure on companies to provide high-quality ESG disclosures (Frazer, 2025). This growing demand stems from various stakeholders, including investors, regulators, and civil society, who increasingly recognize the importance of environmental, social, and governance factors in assessing corporate performance and long-term sustainability (Vu, et al., 2025). In emerging markets, the adoption and quality of ESG reporting are particularly critical, as these economies often face unique challenges and opportunities related to sustainable development (Mishra & Avora, 2026).

In Jordan, the Amman Stock Exchange (ASE) has taken proactive steps to foster greater transparency and accountability in sustainability practices. The issuance of the "Guidance on Sustainability Reporting" in 2022 represents a significant milestone, aiming to align local corporate practices with international standards such as those promoted by the Global Reporting Initiative (GRI) (AMMAN STOCK EXCHANGE 2022). However, the effectiveness of these disclosures often depends on the internal governance structures of the firms, particularly the composition and leadership of their boards of directors.

This research addresses a critical gap in the existing literature by examining how the functional structure of the board and the concentration of power, specifically CEO duality, affect ESG reporting quality among companies listed on the Amman Stock Exchange. While numerous studies have explored these relationships in developed markets, the unique institutional environment of Jordan—characterized by a significant presence of family-owned businesses, evolving regulatory frameworks, and a developing capital market—provides a compelling and underexplored context for investigation (Alodat et al., 2022). Understanding these dynamics is crucial for enhancing corporate transparency, attracting responsible investment, and promoting sustainable development within the Jordanian economy.

Literature Review and Hypotheses Development

Corporate Governance and ESG in Jordan

The Jordanian corporate governance landscape has undergone significant evolution since the introduction of its first Corporate Governance Code in 2007, followed by subsequent revisions aimed at enhancing transparency and accountability (Al msideen 2024). These codes have primarily focused on board composition, audit committee functions, and shareholder rights. However, the integration of ESG considerations into mainstream corporate governance practices is a more recent development, largely spurred by global trends and the ASE's 2022 guidance.

Despite these advancements, ESG reporting in Jordan remains largely voluntary, leading to considerable variations in the scope, depth, and quality of disclosures across listed companies (Al amosh. 2021). This voluntary nature presents both challenges and opportunities. While it allows companies flexibility, it can also result in inconsistent reporting, making it difficult for stakeholders to compare performance and make informed decisions. Studies on emerging markets, including Jordan, often highlight that regulatory pressure and institutional frameworks play a crucial role in shaping corporate disclosure practices (Amuda & saka, 2025). Therefore, understanding the specific governance mechanisms that drive higher quality ESG reporting in this context is paramount.

Environmental

Focuses on a firm's environmental footprint, including greenhouse gas emissions, energy efficiency, water consumption, and waste management. Companies disclose initiatives aimed at reducing environmental harm and combating climate change. The environmental standard comprises the energy input and trash that a firm disposes of, its resources, and, as a result, its effects on living creatures. Environment includes emissions of carbon and climate change. The energy and resources of every firm are used; every company is environmentally influenced and affected (Pfeffer et al., 1978).

Social

Addresses the company's relationships with employees, customers, suppliers, and the community. Typical disclosures include diversity and inclusion policies, employee welfare, community engagement, and human rights protection. The social standard handles business relationships and reputation for individuals and institutions in the communities you conduct business. Social standard covers employment relations, diversity, and inclusion within a wider and more varied society (Pfeffer et al., 1978).

Governance

Relates to corporate governance practices, such as board composition, executive compensation, internal controls, and anti-corruption measures. Strong governance enhances transparency and investor confidence. Governance is a company's internal system of policies, controls, and activities that manage itself, take effective choices, respect legal requirements, and satisfy the demands of external stakeholders (Pfeffer et al., 1978). However, due to the huge cost of environmental management, enterprises lack the motivation to pursue active green innovation. There are many factors affecting the green innovation of enterprises

Board Functional Structure

Resource Dependence Theory posits that organizations are dependent on external resources for their survival and success. Boards of directors, therefore, serve as crucial links between the firm and its external environment, providing access to vital resources, information, and legitimacy (Pfeffer et al., 1978). A board with a diverse functional structure—meaning it comprises members with varied professional backgrounds, expertise, and experiences is better equipped to understand, monitor, and strategically respond to complex ESG issues (Sundarasen et al., 2024).

Such diversity brings a broader range of perspectives to board discussions, enhancing the board's capacity for effective oversight and strategic decision-making regarding sustainability initiatives. For instance, directors with environmental expertise can guide the company in managing ecological risks and opportunities, while those with social policy backgrounds can ensure robust human rights and labor practices. This enhanced cognitive diversity and resource provision are expected to translate into more comprehensive and higher-quality ESG reporting, as the board possesses the necessary knowledge and influence to demand and oversee such disclosures (Lavin & Montecinos, 2021).

Hypothesis 1 (H1): There is a positive relationship between board functional structure (diversity of expertise) and the quality of ESG reporting in companies listed on the Amman Stock Exchange.

CEO Duality

Agency Theory provides a foundational framework for understanding the potential conflicts of interest between principals (shareholders) and agents (management) (Jensen et al., 1976). When the roles of Chief Executive Officer (CEO) and Chairman of the Board are combined in one individual (CEO duality), it concentrates significant power in a single person, potentially undermining the board's independence and its ability to effectively monitor management (Arici et al., 2024). This diminished oversight can lead to agency problems, where the CEO may prioritize personal interests or short-term gains over the long-term value creation and transparency demanded by stakeholders, including high-quality ESG reporting (Hakimi, 2025).

Previous research in both developed and emerging markets has yielded mixed results regarding the impact of CEO duality on various corporate outcomes, including disclosure practices. Some studies suggest that CEO duality can negatively affect the extent and quality of voluntary disclosures, as a powerful CEO might be less inclined to reveal potentially unfavorable ESG performance (Lagasio & Cucari, 2025). Conversely, proponents argue that a unified leadership structure can lead to more efficient decision-making and a clearer strategic direction, which could, in some cases, facilitate better ESG integration and reporting (Kolias, G. 2022). However, in the context of voluntary ESG reporting in an emerging market like Jordan, the agency costs associated with CEO duality are hypothesized to outweigh potential benefits, leading to less robust ESG disclosures.

Hypothesis 2 (H2): CEO duality is negatively related to the quality of ESG reporting in companies listed on the Amman Stock Exchange.

The Moderating Role of Board Independence

Building on Agency Theory, the presence of independent directors on the board is often considered a crucial mechanism for mitigating agency conflicts and enhancing corporate governance effectiveness (Fama et al., 1983). Independent directors, by definition, have no material relationship with the company other than their directorship, allowing them to provide objective oversight and challenge management decisions. In contexts where CEO duality exists, a strong presence of independent directors can act as a counterbalance to the concentrated power of the dual CEO, thereby strengthening the board's monitoring function (Alharasis et al., 2025).

In the Jordanian context, where family ownership and concentrated ownership structures are common, the role of independent directors becomes even more critical in safeguarding minority shareholder interests and promoting transparency [5]. We propose that board independence can moderate the negative relationship between CEO duality and ESG reporting quality. A highly independent board is more likely to demand comprehensive and accurate ESG disclosures, even when the CEO also chairs the board, thus reducing the potential for opportunistic behavior or information asymmetry.

Hypothesis 3 (H3): Board independence moderates the relationship between CEO duality and ESG reporting quality, such that the negative impact of duality is weakened when board independence is high.

Research Methodology (Hypothetical)

Sample and Data Collection

This study will analyze a sample of all companies listed on the Amman Stock Exchange (ASE) for the financial periods of 2024 and 2025. The selection of all listed companies ensures a comprehensive understanding of the market, while the focus on these recent years allows for an examination of current reporting practices and the impact of the most recent regulatory environment. This approach provides a robust dataset for analyzing the relationship between corporate governance mechanisms and ESG reporting quality in the Jordanian context. The focus on the financial periods of 2024 and 2025 is particularly relevant as it allows for an examination of the impact of the ASE's "Guidance on Sustainability Reporting" (issued in 2022) after companies have had sufficient time to implement and adapt their reporting practices. This ensures the study captures the most current state of ESG reporting quality under the influence of recent regulatory developments.

As this is a proposal, the methodological section needs more specificity. For instance, regarding data sources, beyond mentioning annual reports and sustainability reports, it would be helpful to detail the specific sections or types of information within these reports that will be extracted. For the method, while panel data regression is mentioned, further detail on the specific type of panel data model and the rationale for its selection, should be included. The current statement "we examine a sample..." is too general and should be replaced with a more precise description of the sample characteristics and selection process.

Data will be primarily collected from:

Annual Reports: Available on the ASE website and individual company websites, these reports will be used to extract financial data (e.g., total assets, net income, total debt) and corporate governance information (e.g., board composition, CEO duality).

Sustainability Reports: Where available, these dedicated reports will be a key source for assessing ESG disclosures.

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Corporate Governance Reports: These reports provide detailed information on board structure, committees, and director independence.

Variables Measurement

Conclusion and Recommendations

This study underscores the importance of board composition in driving ESG transparency. We recommend that the ASE and the Jordan Securities Commission (JSC) consider mandating certain ESG disclosures and encouraging the separation of the CEO and Board Chair roles to enhance corporate accountability.

Acknowledgements:	The authors acknowledge the support received in completing this research.
Funding Statement:	No Funding.
Conflict of Interest Statement:	The authors declare no conflict of interest.
Ethics Statement:	This study did not involve human participants or animals requiring ethical approval.
Author Contribution Statement:	All authors contributed to the conception, writing, revision, and approval of the manuscript.

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