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for Tourism and Hospitality (JAAUTH)**journal homepage: <http://jaauth.journals.ekb.eg/>**To What Extent Is Corporate Governance Applied at Egypt Air?**

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ARTICLE INFO**Abstract****Keywords**

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This study aims to identify the extent of corporate governance in Egypt Air. The study was made by conducting personal interviews with a random sample of managers and staff of Egypt Air Holding Company, to find out their opinions of the actual application of corporate governance in Egypt Air in September and October 2023. The study has reached that there is a deficiency of awareness of new employees of corporate governance in Egypt Air, while managers have a high awareness of corporate governance. Governance is also important for developing the company and improving its performance and promoting competitiveness, as it provides organizations with an organizational structure that can achieve their goals with the best possible ways. Governance also broadcasts transparency in all the organization behaviour in a way contributes to the creation of a clear relationship in all transactions and tightly control over all joints of the organization and encourages better exploitation of human and material resources.

Introduction

Governance is one of the modern administrative terms that is also called good management, as it expresses a set of modern methods, mechanisms, procedures, systems and decisions that ensure the activation of the principles of independence, integrity, transparency, discipline, accountability, justice and other principles of governance that aim to achieve quality and differentiation in performance through the actions of management (Achim et al.,2016). The company adheres to these principles, and exploits the economic resources available on it, in a way that achieves the best possible benefits for all parties, and ensures the achievement of justice and the preservation of the rights of shareholders and other parties dealing with the company(Blackand Stokes,2021).To achieve this, management and employees must adhere to ethical and professional rules to limit practices that threaten the company's future growth, continuity and survival (Alregab, 2021).

On the other hand, as a result of what has happened in the world over the past decades of growing corruption and scandals in some companies, the term corporate governance has emerged as a fight to reduce this phenomenon, as the benefits of its application have been proven. Therefore, interest in governance began with the approval of legislation related to it at all governmental and legislative levels, supervisory and control bodies, and business

institutions. The lack of controls and transparency in establishments gives the opportunity for unacceptable and unethical behavior by some officials (Ashiru et al.,2020).It means achieving the comprehensive quality of company through a set of specific rules and requirements for management (Beekes et al.,2020), Corporate governance means a set of laws, systems and decisions that aim to achieve quality and excellence in performance by choosing appropriate and effective methods to achieve the organization's plans and objectives (Boateng et al.,2019).

The current study was applied to Egypt Air to find out the extent of application of governance rules on it and that to achieve competitive advantage on it and therefore increasing the travellers number on its airlines and more revenues and subsequently development of the national economy.

Study Problem

Despite the importance of corporate governance in raising performance levels and achieving quality of airline companies, Egypt Air came out of the ranking of the 100 best airlines in the world and also came out of the top 10 list of Arab and Africa airlines companies, so we did this research to find out the extent of corporate governance application in Egypt Air.

Study Importance

The importance of the study is due to the importance of applying governance rules and its impact on performance of airline companies and thus achieving competitive advantage, which is considered the key to the success of business organizations. In addition, contributing to preserving the rights of stakeholders and enhancing confidence in the organization and prevent financial and administrative corruption and maintain state funds and increasing revenues and development of the national economy.

Study Objectives

- Identifying the extent of corporate governance application in Egypt Air.

Study Questions

- To what extent is the corporate governance application in Egypt Air?

Search Determinants

- **Spatial determinants:** This study was conducted on Egypt Air Holding Company in order to determine the extent to which they apply good governance and thus achieve growth, continuity, survival and competitiveness, especially since they emerged from among the top 100 airline companies in the world and also emerged from the list of top 10 Arab and African airlines. Therefore, personal interviews were conducted with some managers and employees in Egypt Air Holding Company.
- **Temporal Determinants :** Personal interviews were conducted on the research sample from September 1, 2023 to October 25, 2023.

Research Methodology

The study was conducted through the following steps:

- **Theoretical study:** This is done by using the latest Arabic and foreign references and the latest websites.
- **Field study:** This is done by conducting personal interviews with a random sample (25 people) of managers and employees from Egypt Air Holding Company, in order to find

out their opinions regarding the extent of the actual application of corporate governance in Egypt Air.

Definition of Corporate Governance

The Cadbury Committee 1992 defined it as the system by which companies are managed and monitored, and the board of directors is responsible for the company's governance. The role of shareholders in governance is to elect members of the board of directors and auditors and to ensure that there is an appropriate governance structure in place, and that the board's responsibility includes setting the strategic objectives of the company, and providing Leadership that achieves these goals, monitors business management and reports to shareholders during their tenure, and ensures that the Board of Directors adheres to the laws and regulations, and works in the interest of shareholders, members of the General Authority."Castrillón ,2021, pp.179).

Governance as "the mechanism of dealing between parties, through which financiers are assured of a profitable return on their investments, and which demonstrates the relationship of the joint-stock company with all parties" (Chan et al.,2013, pp.5).

The Importance of Corporate Governance

Governance is a good basis for integrity and moral health, and its importance appears as mentioned (Elisa,2020; Dau et al. 2021; Dasmuran and Bhamare, 2021) Below:

- Reduces internal corruption in companies.
- Achieving and ensuring integrity, impartiality and uprightness for all employees in companies, starting from the board of directors and executives to the lowest employee.
- Achieving safety and health and the absence of any intentional errors, or intentional or unintentional deviation, and preventing the continuation of this error or deficiency, but rather making everything in the completion of the year valid.
- Fighting deviations and not allowing them to continue, especially those whose presence poses a threat to interests, or whose continuation makes it difficult to achieve good business results and requires urgent reform intervention.
- Reducing errors to the minimum possible, and even using a preventive security system that prevents these errors from occurring, and thus spares companies the costs and burdens of this occurrence.
- Achieving the maximum and effective benefit from accounting and internal control systems, especially with regard to internal control operations, achieving the effectiveness of spending, and linking spending to achievement, especially since those working in the field of internal accounting are more knowledgeable and clear about what is happening within the company.
- Achieving the highest level of effectiveness of the external auditors, especially since they have an appropriate degree of independence and are not subject to any pressure from the companies' board of directors, or from the executive directors working in them.

Governance Objectives

Giannarakis et al.(2020) and Dennis et al.(2021) explained that governance helps to support performance, increase competitive advantage, attract investment, and improve the economy through the following means:

- Establishing good rules and standards for selecting board members so that they possess the skills, abilities, academic qualifications, honesty and integrity.
- Reducing fraudulent methods while addressing the problem of conflict of interest and providing information with a high degree of transparency.
- Applying disclosure and transparency standards to all companies, especially joint stock companies.
- Determine the rules, procedures and foundations upon which financial statements and reports are prepared.
- Preparing a structure with the company's objectives and establishing the necessary means to achieve those objectives.
- Separating the tasks and responsibilities of executive directors from the tasks and responsibilities of the Board of Directors.
- Providing a framework that enables shareholders, employees, and customers to understand the role of monitoring the company's performance.
- Providing companies with the opportunity to obtain greater investments from local and foreign investors in order to increase confidence.

Field Study

Personal interviews were conducted with 25 individuals from the managers and employees of the various companies affiliated with the Egypt Air Holding Company, including 8 individuals from senior management, 6 individuals from middle management, and 11 individuals from the employees, in order to know their opinions and viewpoints regarding the extent of the actual application of corporate governance in Egypt Air, and they were as follows:

1. Do you have an awareness of governance?

60% of them agreed that they do not have awareness of governance, and it is noted that all of those who do not have awareness of governance are employees and some are from middle management. As for senior management, all of them have complete awareness of governance.

2. To what extent is governance applied at Egypt Air?

After explaining the concept of governance to the sample studied, 25% of the total sample said that they did not know anything about applying governance in Egypt Air.

75% of the total sample said that governance is applied to a large extent, and some confirmed that it is applied to a large extent in the field of air operations and everything related to aviation. This is because Egypt Air is subject to international monitoring, which means that the company must apply international standards and rules 100%. In order for it to be suitable as an airline, as for the rest of the company's branches, it is reviewed by quality sector.

3. Is there a governance administration especially to follow its application?

95% of them agreed that there is no special governance department to follow up on its implementation, while 5% agreed that they have no idea about that.

Some added that the term governance itself is strange to everyone at Egypt Air. Others added that there is no management especially with governance to follow its implementation, but there is always a review from the Quality Department. As for governance, the company seeks to move towards digital transformation through mechanization and digitization to

reduce the human element in its various operations and practices. It also seeks to do so with directives from the government because there are many transactions that only accept electronic invoices. The company is dominated by a culture of comprehensive quality.

Others add that the administrative affairs sector is concerned with governance and considering its principles, and the idea of governance is used as something required and they try to adapt to it.

Others added that there is a quality sector in Egypt Air that conducts quality reviews on the various companies affiliated with the holding company, and quality reviews are also carried out through the International Civil Aviation Organization and the Egyptian Civil Aviation Organization so that the company's operations conform to international specifications, and these organizations are also reviewed. Also, the ICAO conduct a review with us in the part related to operations and what is related to pilots, hospitality, ground services, air services, especially the maintenance company. There is also something called competency-based job description cards, and competencies require technical things that cannot be replaced, such as certificates or licenses for pilots, the number of flying hours, and medical fitness, and this cannot be approached by anyone and there is 100% integrity.

4. Is a governance report issued at least annually in Egypt Air includes its plans, company goals, and means of achieving these goals?

Opinions unanimously agreed on the existence of a page on Facebook to publish the company's plans and goals called "EGYPT AIR MEDIA" This happened recently, about two years ago.

While 15% of the total sample said that they did not know about the issuance of a report on Egypt Air called the "Governance Report," but one of them said that each of Egypt Air's subsidiaries submits its plans and goals to the parent company (Egypt Air Holding Company), but they do not know whether The holding company provides a report to the masses about its plans and goals or not.

5. Is an annual report called "Governance Report" issued everything about the company's practices?

90% of the total sample agreed that there is no Issued Report called with a "Governance Report", but there is a report issued by Egypt Air called "Annual Report" which is published annually on the company's website, but the biographies of members of the Board of Directors are not published. Rather, it contains their names and the salaries and bonuses they received, but they are in general and not individually. It also mentions the developments and failures that occurred in the company, as well as the projects. The future, the current fleet, the future fleet, the number of passengers, the total cargo in tons, the number of kilometers, the number of flights, revenues, expenses, business results, the budget, and the income statement. This report also serves as a destination for dealing with stakeholders, including global financing bodies, because all Egypt Air's financial transactions are global, as aircraft financing is in hard currency and dealing in billions of dollars, and of course international financing bodies, whether they are global government agencies or international banks, are interested in that. Egypt Air also applies what is called "Airline Full Service Business Model" This means that it provides an integrated service related to aviation, including passenger transportation, ground services, cargo service, and aircraft maintenance, and each of these entities is separate, and the results of their work are presented separately in this annual report.

Some added that revenues, the number of passengers, and tourist destinations are published on a page Egypt Air Media The flights, the number of passengers on them, and the

destinations traveling to them are published daily. As for external audit companies, there are no because Egypt Air is the national air carrier.

A small percentage, not exceeding 10% of the total sample, agreed that they did not know anything about this.

6. Is there an internal audit at the Egypt Air Holding Company?

Everyone agreed, 100% of the total sample, on the existence of an internal audit at Egypt Air, and some added that the holding company at Egypt Air conducts audit on its various subsidiaries, and the audit is conducted on each company through its quality sector. In addition to some of the certificates obtained by Egypt Air, such as the ISO certificate, which requires them to conduct a periodic review of the company to ensure its conformity with the required standards and specifications. If they have any comments, they send them in reports to us, and then we develop and modify and return to Message them.

Some of them add that there is what is called the "General Administration of Internal Audit." In each of the companies affiliated with the holding company, they are then reviewed by the General Department of Internal Audit of the holding company with regard to the financial part. Egypt Air has multiple internal reviews, and with regard to air operations, it is carried out by the Safety and Review Department, as the company is audited globally by "IATA". The company has also been previously audited by "European Federal Civil Aviation. Egypt Air operates flights in European and American airspace, and this gives them the right to review us to ensure that the company is implementing the standards, otherwise we will not be allowed to fly in their airspace. There is also an annual inspection plan.

7. Are the appointment policies announced at Egypt Air (whether appointing the board of directors or employees)?

– For Employees

Everyone agreed that the policies for hiring employees are made public, as there is a law approved in the company's regulations that the method of appointment is through an announcement, whether in the official newspapers or on the company's official website on the Internet, where the conditions, time of application, and the like are mentioned, and people apply for the job and then the job is completed. Conducting the necessary tests for them, such as the English language, computer, skills, behavior, and general attitude test, then they are sent to the armed forces. After the applicant succeeds in these tests, a personal oral interview is conducted with him, and then an announcement is made about who has been chosen, and he is then directed to the appropriate training according to the announced job. Whether pilots, flight attendant, engineers, administrative employees, stations, sales, etc. In the past, there was favoritism in appointments, but currently there are no appointments, and that has been since the year 2011 AD. Appointments are currently suspended, there are no external advertisements, and workers are rotated, but when there are appointments, priority is given to the children of employees.

– As for Appointing the Board of Directors

Some said that appointment to the Board of Directors is determined by Public Business Sector Law No. 203, which determines the selection of members of the Board of Directors and their qualities, and based on it, a decision is issued by the Minister of Civil Aviation and then ratified by the General Assembly.

While others add that the appointment of the Board of Directors is nominated by the Minister of Civil Aviation, and then a decision is taken after reviewing with the Prime

Minister, and then comes the decision of the Minister of Civil Aviation and the Chairman of the General Assembly to form the Board of Directors of the Holding Company (and the Board of Directors of the Holding Company is represented by the Special General Assembly). In subsidiary companies, the minister is the one who selects and appoints the chairmen of the boards of directors and councils of the subsidiary companies.

8. Are the goals set by the Board of Directors consistent with the future goals of the state?

Everyone agreed that the goals set by the Board of Directors are in line with the future goals of the state. Because it is a national government company, and some add that in civil aviation there is the competent minister, and the competent minister is in the Council of Ministers, and the Council of Ministers sets strategies and general direction for the state and therefore the competent minister, since he is the head of the General Assembly, is of course the one who directs the holding company for Egypt Air.

9. What is the role of the state as an owner? How does it enter into the management system?

85% of the total sample said that the state's role is only a supervisory role and the company's work is regulated through internal regulations. As for management, the Minister of Civil Aviation appoints the board of directors of the holding company, which in turn appoints the boards of directors of its subsidiaries.

15% agreed that they knew nothing about it.

Others add that the company's role is that it is the parent company, that is, the national company like the Suez Canal, which means that it is considered one of the state's assets. The state intervenes in management through the highest authority, which is the Minister of Civil Aviation, who in turn sets specific goals and strategies based on the state's plan for the company to implement.

Others add an example of this after the revolution of January 25, 2011. It was natural for a company like Egypt Air to reduce its size because the volume of demand in the market at that time decreased by 33%. It is not easy for something like this to happen, but imagine a revolution in a country where foreigners fled, and no one wanted to return from abroad. This situation was very difficult, and other airline companies also began closing their offices in Egypt. If Egypt Air had shrunk, its wings would have begun to close, which would have meant stopping communication with the world. However, the company had to maintain operation, which resulted in huge losses for the company. From 2011 to 2015, there was an accumulation of debts of 10 billion pounds, as a result of the spending on aviation and its operation in US dollars (hard currency), as the fuel, aircraft, maintenance and spare parts are in dollars, so the company's cost is 80% dollars and 20% local currency.

Therefore, there is no room to achieve a competitive advantage in that situation, and this resulted in the accumulation of large losses. The state also contacted the company and there was a ruling decision from the General Assembly that the company would continue despite the losses that exceeded the capital. Also, when the company began to recover, a flotation occurred in 2016, which doubled the size of the debt (in dollars) at that time, after which the flotation continued, and finally with Corona. In 2016-2017, the volume of accumulated losses reached 20 billion, most of them to internal parties from Fuel Misr Petroleum and between airports and navigation, because the airport serves the company in exchange for a fee, and the navigation companies serve the company in exchange for a fee, and everyone demands their dues, which led to an increase in the size of the debt, but when the market began in the stable year 2018/2019, the financial results showed that the company's profits reached about 952

million pounds, of which the company paid 6 billion of the company's losses, and thus the size of the accumulated losses returned to 14 billion. Unfortunately, the company did not take a truce because in 2020, Corona spread, which led to the suspension of flights. The state took the decision not to reduce, and did not fire or lay off workers, but rather reduced salaries by 10%. In this case, the company was paying the employees' salaries without making any gains, so the losses increased, especially after the flotation continued several times (from the first dollar = 8 pounds until it reached 31 pounds, which can be increased as appropriate), which resulted in a revaluation of the debt until it reached 30 billion, even though the financial business results were 2 billion profits in the year 2022/2023, but unfortunately all of this will be placed in the accumulated losses.

10. Are there external audit companies to review the company's business? If the answer is yes, is the review carried out annually or monthly?

5% of the total sample said that he knew nothing about it.

While 95% of the total sample agreed that the external auditor for public business sector companies in Egypt is the Central Auditing Organization. This means that all state economic bodies, governmental bodies, and public business sector companies, in accordance with Law 203, are the Central Auditing Organization, which is the legal auditor who reviews the financial statements and books of Egypt Air, because it is 100% state-owned, and a report is submitted on it semi-annually or Annually to the General Assembly.

Results

- Lack of sufficient awareness of the dimensions of governance among new employees and some workers in middle departments at Egypt Air.
- Governance is applied in the field of air operations, because Egypt Air is subject to international supervision.
- The term governance itself is foreign to everyone at Egypt Air. There is also no specific management for governance to follow and Implement it, but there is always a review from the quality department.
- Egypt Air has a quality sector that conducts quality reviews on the holding company.
- There is an internal audit at Egypt Air, and Egypt Air holding company conducts audit of its various subsidiaries, and an audit is conducted on each company through its quality sector.
- The policies for hiring employees are announced, as there is a law approved in the company's regulations that the method of appointment is through an announcement, whether in the official newspapers or on the company's official website on the Internet.
- The goals set by the Board of Directors are in line with the future goals of the state because it is a national government company.

Recommendations

Recommendations addressed to the Board of Directors of Egypt Air:

- It is necessary for Egypt Air to educate its employees about the importance of corporate governance and its positive role in Improving the level of performance and achieving competitive advantage as well as preserving the rights of stakeholders, through implementing training courses to familiarize them with corporate governance and the necessity of implementing its rules and their effective impact on improving performance efficiency and strengthening customer confidence in the company.

- Work on holding training programs for employees in the field of governance, in terms of training them on how to benefit from the dimensions of governance that enable employees to enhance their abilities to exploit available resources at the lowest costs to achieve competitive advantage at the lowest costs, reaching the stage of distinguished performance, transparency and quality in Egypt Air.
- Benefiting from the distinguished and advanced experiences of airline companies in applying corporate governance.

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إلى أي مدى يتم تطبيق حوكمة الشركات في مصر للطيران؟

ايمان رضا السحيلي نيفين جلال عيد هبه الله عاطف الأخرس رنا محسن السقار

قسم الدراسات السياحية - كلية السياحة والفنادق - جامعة قناة السويس

المخلص

تهدف هذه الدراسة إلى التعرف على مدى حوكمة الشركات بشركة مصر للطيران. تم إجراء الدراسة من خلال إجراء مقابلات شخصية مع عينة عشوائية من مديري وموظفي شركة مصر للطيران القابضة، لمعرفة آرائهم حول التطبيق الفعلي لحوكمة الشركات في مصر للطيران خلال شهري سبتمبر وأكتوبر ٢٠٢٣. وقد توصلت الدراسة إلى أن هناك - نقص وعي الموظفين الجدد بحوكمة الشركات بمصر للطيران، في حين أن المديرين لديهم وعي عالي بحوكمة الشركات. كما تعد الحوكمة مهمة لتطوير الشركة وتحسين أدائها وتعزيز قدرتها التنافسية، حيث أنها توفر للمنظمات هيكل تنظيمي يمكنه تحقيق أهدافها بأفضل الطرق الممكنة. كما تبث الحوكمة الشفافية في كافة سلوكيات المنظمة بما يساهم في خلق علاقة واضحة في كافة المعاملات وإحكام الرقابة على كافة مفاصل المنظمة ويشجع على استغلال الموارد البشرية والمادية بشكل أفضل.

معلومات المقالة

الكلمات المفتاحية

حوكمة الشركات؛
مصر للطيران؛
منظمات الاعمال؛
إدارة الاعمال .

(JAAUTH)

المجلد ٢٥، العدد ٢،
(٢٠٢٣)،
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