CORPORATE GOVERNANCE PRACTICES IN SAUDI JOINT STOCK LISTED COMPANIES: PRIORITIZATION OF CHARACTERISTICS WITH AHP AND STATISTICAL ANALYSIS

BY

IBRAHIM MALIK IBRAHIM HAIDOUB

A dissertation submitted in fulfilment of the requirement for the degree of Doctor of Business Administration

Graduate School of Management
International Islamic University Malaysia

January 2023

ABSTRACT

Today, corporate governance is seen as one of the most important topics in the contemporary business world and it has been introduced in the 1980s' literature as a mechanism to improve accountability, efficiency, transparency and effective corporate management in business environment. Moreover, the corporate governance is categorized as one of the key determinants of the sound enterprise system, since it has the capacity to mitigate economic hits and it shows how the individual elements of the organization are linked together to improve that system. Saudi authorities have recalled corporate governance as a corruption uprooting tool and an approach to create sustainable business across the world. The Saudi Vision 2030 requires that the company directors, management and other stakeholders should acquire the strategic vision on good corporate governance practices, particularly the economic development as a crucial element in Vision 2030. This study aims at identifying and prioritizing the characteristics that are expected to enhance effective corporate governance practices in Saudi joint stock listed companies. This research adopted a sequential mixed method (qualitative followed by quantitative) approach to pursue the research objectives. The quantitative phase was implemented following an approach usually adopted in a case study research. The findings resulted from the qualitative analysis explained that 16 characteristics were identified as positively enhance governance practices in Saudi joint stock listed companies. The results obtained from the quantitative part showed that board independence is relatively the most important characteristic while ownership structure is the least important in enhancing good governance practices in Saudi listed companies. Finally, the overall findings resulted in developing a new model for effective corporate governance practices in Saudi listed companies.

ملخص البحث

تعد حوكمة الشركات واحدة من أكثر القضايا أهمية في عالم الأعمال اليوم وقد تم تقديمها في الأدبيات في الثمانينيات كآلية لتحسين المساءلة والكفاءة والشفافية وإدارة الشركات الفعالة في بيئة الأعمال. تعتبر حوكمة الشركات أيضًا أحد المحددات الرئيسية للنظام المعافى في المنظمة، كما لديها القدرة على امتصاص الصدمات الاقتصادية وعكس كيفية ارتباط المكونات الفردية للمنظمة لتعزيز هذا النظام. عرّفت الحكومة السعودية حوكمة الشركات كأداة للقضاء على الفساد وهي ليست مجرد قضية تشريعية ولكنها وسيلة لإنشاء أعمال مستدامة في جميع أنحاء العالم. تتضمن رؤية المملكة العربية السعودية 2030 أن يمتلك أعضاء مجلس إدارة الشركات والمدراء التنفيذيون والموظفون والجمهور الرؤية الإستراتيجية لممارسات الحوكمة الفعالة للشركات بما في ذلك التنمية الاقتصادية كجزء أساسي من رؤية 2030. تهدف هذه الدراسة إلى تحديد وترتيب خصائص الحوكمة وفقاً لأهميتها النسبية والتي من المتوقع أن تعزز ممارسات الحوكمة في الشركات السعودية المساهمة والمدرجة. استخدم هذا البحث المنهج المزدوج (النوعي ثم الكمي) لتحقيق أهداف البحث. تم تنفيذ المرحلة الكمية باتباع نهج يتم اعتماده عادة في بحث دراسة الحالة. وتبين النتائج التي تم الحصول عليها من التحليل النوعي أن هنالك (16) خاصية تؤثر بشكل إيجابي على ممارسات الحوكمة في شركات المساهمة المدرجة. وأوضحت نتائج التحليل الكمي أن استقلالية مجلس الإدارة هي السمة الأكثر أهمية نسبيًا في حين أن هيكلة الملكية هو الأقل أهمية في تعزيز ممارسات الحوكمة الجيدة في شركات المساهمة المدرجة. خلصت النتائج الكلية إلى تطوير نموذج جديد لممارسات الحوكمة الفعالة في شركات المساهمة السعودية المدرجة.

APPROVAL PAGE

The dissertation of Ibrahim Malik Ibrahim Haidoub has been approved by the following:

Rafikul Islam
Supervisor

Rusni Binti Hassan
Co-supervisor

Wan Rohaida Binti Wan Husin
Internal Examiner

Valerio Salomon
External Examiner

Amir Akramin Bin Shafie
Chairman

DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Ibrahim Malik Ibrahim Haidoub

Signature ………………………………… Date ……..……………………...

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DEDICATION

This thesis is dedicated to my parents, Alsurrah Alnijoomi and Malik Haidoub for laying the foundation of what I turned out to be in life.

ACKNOWLEDGEMENT

The efforts that I have exerted in this research would not have been possible without the help of Allah (SWT) who gave me the power, capacity and facilitate all reasons to achieve this work.

I express my gratitude towards Graduate School of Management (GSM) particularly the Head of DBA and the Coordinator for their continuous support, guidance and assistance.

I am highly indebted to my supervisor: Prof. Dr. Rafikul Islam for his great efforts and support, who guided me in an effective and creative manner where I learned a lot of skills and research techniques. My deepest appreciations for his encouragement and patience in completing this research.

I would like to pass my acknowledgement to all who directly or indirectly share different efforts and my special gratitude to those who prayed for me a lot.

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LIST OF ABBREVIATION

Abbreviations	Description
SJLCs	Saudi Joint Stock Listed Companies
ACE	Audit Committee Expertise
ACI	Audit Committee Independence
AHP	Analytic Hierarchy Process
BC	Board Composition
BED	Board Expertise Diversity
BI	Board Independence
BM	Board Meetings
CEO	Chief Executive Officer
CMA	Capital Market Authorities
NCI	Nomination Committee Independence
OECD	Organization for Economic Co-Operation and Development
OS	Ownership Structure
RCI	Remuneration Committee Independence
SP	Separation of Position
SRCG	Saudi Regulations of Corporate Governance

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

This study aims at exploring the corporate governance characteristics or attributes that are perceived by corporate governance experts as the most important factors in enhancing good corporate governance practices in Saudi joint stock listed companies (SJLCs). In the first place, the study tries to explore and identify the most relevant characteristics of corporate governance and then examines the experts' opinions on characteristics' relative importance by adopting an appropriate ranking technique and analytical tool.

Corporate Governance is one of the most critical issues in today's business world and It has recently appeared in the literature since the 1980s as a mechanism for improving accountability, efficiency, transparency and effective governance practices in the business environment. According to Naif and Ali (2019), corporate governance concept has come into exist to address the financial scandals and corporate malpractice as experienced by countries worldwide. Turrent and Ariza (2016) pointed out that, it is a newly arisen concept due to a number of successive scandals such as Enron and Andersen in United States of America.

In fact, there is no one single definition of corporate governance among researchers and writers but the most popular and simple definition of corporate governance in the business context is described as the systems of rules, practices and processes by which profit and non-profit organizations are controlled and governed (Yourmatter, 2020). Similarly, Mzenzi, Mori and Kurt (2019) declared that corporate governance is the manner in which business entities are directed and controlled.

Sarbah and Xiao (2015) reported that corporate governance is considered as one of the major determinants of the enterprise health system and its ability to absorb economic shocks and how the individual components of the organization connected to enhance that system. Villiers and Dimes (2021) reported that corporate governance is the exercise of ethical and effective leadership by the governing body towards the achievement of ethical culture, good performance and legitimacy. Mbonde (2019) viewed corporate governance as a useful instrument for enhancing and promoting social economic development. He concluded that corporate governance is important for reinforcing public services provisions, efficiency, effectiveness and economy across the world

Meteb (2015) mentioned that corporate governance provides an appropriate organization by which corporate goals and the effective methods of how to achieve these goals are developed. In fact, there is no single definition for corporate governance and the term generally used to mean the processes, practices and the established structures such that the corporate matters are managed to achieve strategic, operational and financial objectives and ultimately to realize a long-lasting sustainability (Erma Academy, 2016). Rizaee (2009) documented that corporate governance has gained renewed interest and relevance in recent years and is now emerging as a central issue within public companies. Companies have recently undergone a series of corporate accountability reforms resulting from government regulations, the emergence of powerful institutional investors, listing standards of national stock exchanges and guiding principles and best practices of investors activism.

Gyamerah and Agyie (2016) reported that the concept of corporate governance has become a global issue of interest to both business directors, academicians and researchers. In fact, this new trend is attributed to recent global financial crises caused partly by non-reliable corporate governance practices adopted by firms at corporate levels. Fudda (2014) noted that corporate governance practices provide a means for ensuring sustained company performance and embedding the values of accountability and transparency in organizations.

Claessens and Yurtoglu (2012) mentioned that, two decades ago, the term of corporate governance had little concern to the majority but today has become a mainstream issue to a handful of scholars and shareholders. Alujana and Tomczyk (2018) illustrated that corporate governance remains one of the most intensively researched themes in the finance and business field, showing a dynamic development in practice regulations. Hence, the term "corporate governance" has become very common and famous worldwide.

Although corporate governance has played an important role in developing the economic value at a corporate level and the economies of different countries as well, the debate on the concept of corporate governance has a long-standing history.

1.2 THE CONCEPT OF GOOD CORPORATE GOVERNANCE

It is internationally recognized that good corporate governance has a positive impact on the performance of companies and enables them to move into the next phase of the business lifecycle. As companies grow and become more conversant with good governance, their ability to attract capital from external sources also improves, allowing them to expand, diversify, and acquire other businesses in a sustainable manner (CIPE, 2014). Good corporate governance therefore contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital (Sarbah and Xiao, 2015).

In their study, Alujan and Tomczyk (2018) asserted that one of the most challenging issues for business managers is to maximize shareholders' value and hence improve corporate performance. In the same way, Das (2017) indicated that the core goal of any business entity is to maximize shareholders' wealth and that wealth is generated through its management decisions, practices and actions. According to Mousavi and Moridipour (2013), good corporate governance increases the quality of listed companies, encourages managers to maximize shareholders' returns and protect their interests. It is also a solid base for healthy market securities and minimize speculations violations of market rules. They believed that the quality of governance systems depends on applying corporate governance principles and performance standards in such a way that support solving problems such as conflict of interest, transparency, fairness and disclosure needed to meet shareholders' interests.

Tipuric, Dvorski and Delic (2020) argued that good governance represents quality if it responds to the firm's guiding principles and strategic directions and whether that firm does the right and reliable decisions and actions to ensure the desired results in an integrated monitoring system for business control. Djokic and Duh (2016) reported that good corporate governance is intended to reduce agency costs and to adjust information asymmetry resulted from the separation between ownership and control. They added that effective corporate governance is characterized by good monitoring and disciplining characteristics that is supposed to alleviate opportunistic behavior of top management.

1.3 CORPORATE GOVERNANCE SYSTEMS

Shirwa and Onuk (2020) documented that nowadays every state tends to practice corporate governance activities by adopting certain techniques and approaches that are appropriate to their customs, cultural context, economic setting, political environment and legal framework. Generally speaking, there are three models of corporate governance globally adopted.

The most prominent model is the shareholder model of corporate governance. This model is built on principles, which indicates that any company choses this model have to show the compliance with the governance regulations using coding system or "explain and justify" of non-complying with them.

The "Anglo-US system" is controlled by independent stockholders while the executive is accountable to both directors and to the stockholders. There are three levels constitute the governance system: The shareholder's system which represents the highest power level, the second is the board power which derived from the shareholder's power and finally the executive power, the lowest, that is authorized by board of directors.

The second is the stakeholder approach whereas the owners of a publicly traded company are made of few investors. Shirwa and Onuk (2020) reported that this model is distinguished by an insufficient level of disclosure, the corporate ownership centred around a small group of people, and minimum disclosure levels. The adoption of this approach in Europe and Japan is due to the insignificant role played by the publicly traded companies in the economy and the concentration of ownership compared to other states that adopt the "shareholder approach".

Haider (2019) stated that the stakeholders model recommends that the firm concerned parties such as senior employees, creditors, customers, suppliers and others required to participate in the issues of "corporate governance" and grant them ownership-like incentives in addition to aligning their interests with the interests of shareholders since they contribute to the firm's value maximization goal. It is recommended to encourage long-term employee ownership and to motivate the significant customers, suppliers' financial advisors and employees to be represented on the board of directors. In practice, the stakeholder system is subcategorized into the Continental-European model and the Japanese model.

The Continental-European model also known as German model since it includes continental European countries such as Germany and the Netherlands. The continental model has two-tiered board. The management board composed of daily operating executives while the governance board, made of purely non-executive board members who are authorized to act on behalf of shareholders (Kousalya, Revathi and Mohan, 2013).

According to Mathur (2009) Japan has a unitary board like British and American models and the corporation is controlled by members of executive management covering over 75% of board members who are mainly executives. Ungureanu (2007) argues that the executives' accountability demonstrates itself relative to shareholders and a network of loyal suppliers and clients. The quality pattern of governance is controlled by two types of legal relationships: one is the collective cooperation between shareholders and unions, customers, suppliers, creditors, government and another relation is between governors and the stakeholders, and executives as well.

According to Zainullin, Egoryasheya, Bondarchuk and Kurashova (2018) the corporation is controlled by the president, the CEO and the board of directors. Requirements for the directors include qualification and expertise in the company's operations and activities. The share of independent board members should be not less than one third. Before new members of the board of directors are appointed, they should pass a filter of the CEO and the President's assertion about the candidates' qualification and competence, after which the board members take a vote. The discipline and requirements of appointing the outside directors and members of audit and supervision is provided separately.

1.4 CORPORATE GOVERNANCE IN SAUDI ARABIA

Naif and Ali (2019) documented there are two stages covering the evolution of corporate governance. Stage one started in 1985 to enforce the standards of transparency and disclosure. It is worthy to mention that transparency and disclosure are considered as the most significant elements of corporate governance best practices. Stage two involved the passing of "Capital Market Law" of 2003 and the issuance of regulations by the Capital Market Authority (CMA) Board. In 2006, the corporate governance regulations were set to be compatible with the global measures on transparency, disclosure, stockholders' rights, and "General Assembly and Board of Directors.

The CMA in the Kingdom of Saudi Arabia began informally in the early fifties, and continued to make successful achievements, until the government introduced the basic regulations in the eighties. The CMA is a governmental body characterized by complete financial, legal and administrative independence, and it has direct relations with the Prime Minister. The roles of the authority are to regulate the Saudi capital market and improve its performance by preparing the necessary laws and regulations to implement the provisions of the Capital Market Law. The main objectives are to provide an attractive environment for investment, build confidence, apply transparency and disclosure standards in all public listed companies, as well as the need to safeguard shareholders from unlawful activities in the market.

The Saudi Capital Market Law provides for the establishment of the "Saudi Stock Exchange" as a joint stock company operating to be the only entity authorized to trade securities in Saudi Arabia. The stock exchange's activities are currently carried out through the Saudi Stock Exchange (*Tadawul*), for the purpose of continuous improvement of a safe and integrated market that provides comprehensive and diversified financial services to compete at the international level (CMA, 2015).

Naif and Ali (2019) argued that before 2006, there were no well-identified regulations to direct corporate governance in Saudi Arabia. CMA came into exist in 2003 and only after three years CMA was able to issue a regulation on corporate governance. In 2006, the Saudi stock market suffered a big crash and this necessitates CMA to produce and approve novel governance regulations to safeguard shareholders and other stakeholders.

Alshehri (2012), Hill et al. (2015) and Meteb (2015) proved that the Saudi Regulations on Corporate Governance (SRCG) 2006 is apparently influenced by the "Organization for Economic Co-operation and Development" (OECD) Principles. The newly issued SRCG 2017, enhances shareholders' rights and directors' position to accomplish their duties and assume their responsibilities. In order to strengthen the regulatory oversight of SJLCs, CMA has carried out a lot of efforts to align its codes and principles with the global stock exchanges.

However, Hammad (2019) informed that that the corporate governance regulations in Saudi Arabia are in its early stage and not yet sufficiently mature and this is attributed to the delay in adopting a strong corporate governance system, particularly, after the first market collapse in 2006. Few public organizations have played critical roles in establishing the platform for implementing relevant corporate governance standards in Saudi Arabia. Yet, the governance legislations in Saudi Arabia rise from two sources:

- The Companies Act of 1965 that was initially regarded the first legislative attempt at establishing general corporate governance guidelines.
- The Saudi Capital Market Law of 2004 which is considered as the first legislative attempt to regulate the Saudi Capital Market's operations of listed companies.

1.5 STATEMENT OF THE PROBLEM

The corporate governance concept has gained a lot of consideration worldwide due to the corruption that affected the economic and financial system and resulted in the famous crises that hit a number of states in East Asia, Latin America and Russia last decade of twentieth century. However, in Saudi Arabia, the term corporate governance has gained much more attention since the creation of 2030 vision.

Rahman and Qattan (2021) explained that the Saudi authorities has initiated leading efforts to diversify the economy and plan to improve the economic position of the country but the obtained outcome was not completely satisfactory due to unexpected fluctuations in oil prices between 1980 and 2017. The country faced a budget deficit of SAR367 billion in 2015 and SAR297 billion in 2016. Similarly, oil revenues dropped from US$277 billion, USD$163 billion, and US$141 billion in 2014, 2015, and 2016 respectively. The government expected to overcome these economic challenges by diversifying the economy instead of oil dependency and by leading the economy with strong and prudent management.

Hammad (2019) reported that the good governance has become in its all kinds a main condition required to realize sustainability and development in Saudi Arabia. Saudi government has identified corporate governance as a corruption eliminating tool and it is not only an issue of legislation but a way to create sustainable business across the world. The Saudi Vision 2030 requires that the corporate stakeholders should possess the long-term vision on effective corporate governance as a crucial part in Vision 2030. In his opinion, good governance has become a prerequisite for achieving sustainable development by unleashing human capabilities in a sound economic, legal and social environment. He added, this trend leads to solving unemployment problems, creating new job opportunities and enhancing human welfare, in addition to empowering women and eliminating corruption spots in the Kingdom.

In Saudi Arabia CMA was established and started unofficially in early 1950s before it was recognized by the Saudi government (Flagi, 2009). Naif and Ali (2019) stated that the main purpose behind establishing the CMA is to regulate and develop the Saudi Capital Market that consist of setting the regulations, rules and instructions that related to Saudi Stock Exchange.

However, the CMA has introduced new corporate governance regulations for joint stock listed companies. Alsharif (2018) reported that the CMA of Saudi Arabia has approved new governance regulations for the listed joint stock companies on the Saudi stock exchange (*Tadawul*). They replace the 2006 version, and formally came into effect on April 22, 2017. These regulations provide shareholders and board members with improved rights, greater clarity and more transparency as to their roles and responsibilities, such as enhancing shareholder rights, clarifying board, committee and executive management roles and responsibilities, clarifying decision-making characteristics, achieving greater openness and so on. By enhancing the regulatory oversight of listed companies in all industries, the CMA seeks to bring its standards in line with those of other leading global exchanges.

Naif and Ali (2019) pointed out that Saudi Arabia is among the countries that has a potential of huge foreign investments with a better share value. Therefore, there is an anticipation that in the nearest future, there will be more competition among the foreign companies demanding best practices of corporate governance so as to enhance corporate performance. Alfaryan (2020) indicated that one of the main reasons that led Saudi government to establish corporate governance framework is the need to diversify and develop the Saudi economy away from its oil dependency and develop the capital market as an important capital source.

In addition, there are some weaknesses in corporate governance practices in Saudi Arabia that have been addressed by a number of scholars. Kolderstove (2017) argued that in Saudi Arabia, one family might control a considerable block of shareholdings and play a major role in slowing corporate governance's regulatory compliance framework. According to Al-Zahrani (2013) although minority shareholders incurred heavy losses from the initial public offering in 2006 and 2008, Saudi corporate governance regulations remained relying upon the basis of "comply or explain". This resulted in weakening shareholders' position due to the failure of Saudi

Company Law (1965) to grant shareholders their own rights. This led majority shareholders to exercise control over the rights of the minority who fall under the direct responsibility of the company's management. As a matter of fact, Al-Zuhair (2008) opine that this agency problem is well known in SJLCs as the issues of compliance, transparency, and disclosure stem in part from the high concentration of share ownership within those companies.

Consequently, given these problems and challenges that confront the future of corporate governance practices, beside the new governance trends and developments in Saudi Arabia, this study aims at investigating the experts' perception on governance characteristics and their relative importance to each other in SJLCs on (*Tadawul)*. The study examines these characteristics from the perspective of experts as key role players in corporate governance.

Based on the current literature, the researcher found at least fifteen corporate governance characteristics that have been reviewed by other researchers as criteria for effective corporate governance practices. Among these characteristics, the researcher reviewed only thirteen corporate governance characteristics that might represent a general list to be re-identified later by the respondents. These corporate governance characteristics include: board size, board independence, board expertise directors, CEO duality, board gender diversity, board meetings, audit committee independence, audit committee size, audit committee expertise, audit committee meetings, remuneration committee independence, nomination committee independence, and finally ownership structure.

1.6 RESEARCH QUESTIONS

Based on the stated problem above, this study addressed three research questions:

RQ1: What are the most relevant corporate governance characteristics that are perceived by experts as good corporate governance practices in SJLCs on *Tadawul*?

RQ2: What is the relative importance of each characteristic with respect to others (Prioritization)?

RQ3: What is an appropriate hierarchical model that represents good corporate governance practices for SJLCs?

1.7 OBJECTIVES OF THE STUDY

This study has three main objectives:

Objective 1: To identify the most relevant characteristics that enhance the implementation of effective corporate governance practices in SJLCs companies.

Objective 2: To prioritize the identified characteristics according to their relative importance as perceived by experts.

Objective 3: To develop an appropriate hierarchical model that represents good corporate governance practices for SJLCs.

1.8 SIGNIFICANCE OF THE STUDY

The primary importance of this effort is to enhance the implementation of effective corporate governance practices in SJLCs. More specifically:

This study represents an additional contribution to the existing literature in understanding the concept of good corporate governance. In this respect, the researcher will investigate corporate governance characteristics as criteria to be perceived by experts in SJLCs.

This study is, also, significant because it comes after the new amendments on Saudi Regulations on Corporate Governance (SRCG) in 2017 to safeguard shareholders rights. As long as the amended SRCG provide better rights for shareholders, the governance practices are expected to be more challenging and the data collected and analysed from qualitative and quantitative approaches will be of high quality and up to date as well.

The study is a good opportunity to understand the relative importance of corporate governance characteristics and to what degree they are related to each other in SJLCs. This indicates that the corporate stakeholders including shareholders will be aware about which corporate governance characteristics are more critical and have prime concern than the others. Also, the correlative nature of these characteristics will provide a practical guide how to attain a whole benefit from a group of corporate governance criteria.

Experts and professionals in corporate governance are the only group responding to the study to provide their understanding of the corporate governance' characteristics. Thus, this study is expected to enhance good governance practices in SJLCs. In other words, the study encouraging corporate stakeholders including board of directors to be more oriented to pursue best governance practices in SJLCs.

Finally, this study might provide a primary driver for developing further corporate governance frameworks including rules and regulations in Saudi Arabia. It can also provide a rich data concerning the protection of corporate shareholders' rights and privileges as well.

1.9 SCOPE OF THE STUDY

The scope of this research had to be limited due to time and resource constraints. This study is limited to corporate governance area and mainly focus on the characteristics of corporate governance as perceived by shareholders in SJLCs on *Tadawul*. The study is an exploration one, and researcher didn't attempt to investigate as many SJLCs instead he focused on a limited sample. The study area is limited to Jeddah city in the western region of Saudi Arabia. Thus, the findings may not sufficiently reflect the corporate governance practices of all SJLCs.

1.10 DEFINITION OF THE TERMS

The operational definition of the terms that are extracted from the existing literature and used by the researcher. They include the following:

1.10.1 A Corporation

A corporation is a legal entity that is separate and distinct from its owners. Corporations enjoy most of the rights and responsibilities that individuals possess.

1.10.2 Board of Directors

A board of directors is a group of elected individuals that represent stockholders. The Board is a body that govern the Corporation and its members hold meetings at regular basis for establishing corporate management and control policies. While public listed company must have a directors' board, profit and non-profit organizations also used to have a board of directors as well.

1.10.3 Separation of Position

One individual occupying a dual position of Chairman and Chief Executive Officer. When the Chief Executive Officer (CEO) plays the same role of the Chairperson, the duality of the role occurs. The Chairperson is accountable for controlling and managing the board (control function), while CEO is accountable for the daily management of the Corporation.

1.10.4 Non-Executive Director

A non-executive director is a member of a company's Board of Directors and he is not part of the executive management. A non-executive director typically does not engage in the day-to-day management of the organization but he's involved in making policies and planning exercises.

1.10.5 Board Gender Diversity

Carter et al (2003) defined "board gender diversity" as the appointment of women directors on the board of corporations. It is a significant aspect of corporate governance.

1.10.6 Audit Committee

It is defined as a professional team who works under the supervision of company's board of directors and its primary tasks are to oversee the financial reporting, auditing procedures and control management trend to manipulate earnings and other accounting malpractices.

1.10.7 Remuneration Committee

Remuneration Committee is an attempt to appoint independent board's members who are qualified to establish the level of remuneration and make the relevant decisions about the payment rate for senior executives.

1.10.8 Nomination Committee

Corporate Finance Institute defines the "Nomination Committee" as a group of board members who work to evaluate the characteristics and performance of board members and also responsible for selecting the best candidates for each seat.

1.10.9 Audit Quality

Audit quality as the multiple probability of the auditor discovering, observing and reporting financial statement errors.

1.10.10 Ownership Structure

Represents the degree of shareholders' participation in the voting capital that influence the quality of internal control of corporations. High degree of shareholders' participation strengthens their position in influencing and monitoring corporation's investment strategy.

1.11 ORGANIZATION OF THE STUDY

The whole study is divided into six chapters, beginning with chapter one that focuses mainly on introduction to define the research problem, research objectives, research questions, significance and scope of the study. Chapter two is devoted to review literature and previous studies relating to researcher's topic in order to find out the gap in the existing literature. Chapter three centres around research methodology and research design including sampling design, data collection methods and data analysis. Chapter four discusses qualitative research findings and chapter five covers the quantitative research findings. Finally, Chapter six provides the summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter reviews the literature that focuses mainly on corporate governance including evolution of corporate governance, corporate governance definition, corporate governance theories and models, global perspective on corporate governance, regulatory framework of corporate governance and effective corporate governance characteristics.

2.2 EVOLUTION OF CORPORATE GOVERNANCE

Moon (2021) detailed that the expression "Corporate Governance" first occurred in the US daily official Journal (Federal Register) in 1976. Formal naming experiences of the term have authorized regulatory institutions to initiate defining board formation and how best practices could be developed into a benchmark. Price (2018) demonstrated that although the idea of corporate governance has been dealt with for quite a long time, the term was not there until the 1970s. It was just utilized in the United States, where the overall influence between directors, leaders and stakeholders has been developing for quite a long time. The issue has been a vital matter among scholars, organizers, business managers and shareholders.

Shirwa and Onuk (2020) documented that corporate governance term seems to have come into sight following the occasion of Watergate outrage beside the disclosure of the information that core USA companies had showed up undisclosed political grants in America and committed serious corruption abroad**.** Haider (2019) mentioned that corporate governance has become an important and prevalent issue due to the world financial and accounting scandals that took place in the beginning of 2000s decade beside the increasing need for sustainable and stable business environment that guarantee the protection for stakeholders' rights and interests. Jovanovic and Grujic (2016) wrote that the corporate governance is an ancient concept yet the term is recently appeared. Governance, however, is constantly developing in periods of economic decline to derive future changes.

Lisboa, Guilherme and Teixeira (2020) recalled that corporate governance is not a new topic but it has become more relevant issue recently as a consequence of the latest financial crisis in 2008, that led to failure and bankruptcy of various corporations and that's why the investors' position was weakened and they turned out unprotected. Thus, Kumar (2016) indicated that even though the concepts were highlighted as early as 1932 by Adolf Berle and Gardiner Means in their "The Modern Corporation and Private Property", corporate governance as a disciplinary rule came to be seriously viewed and discussed since the early 1980s when Bob Tricker first used the term Corporate Governance. He added that the need for governance was an imperative matter, due to the managerial challenges and unethical behaviour of corporates in the 1990s.

Tricker (2012) stated that this concept in its history tells about many aspiring persons who played the main reasons for corporations' bankruptcy due to their intended violations of rules and principles in order to achieve their personal interests and maximize their personal wealth. This is also supported by Kumar (2016), who declared that in the early periods of the second millennium, the corporate governance has never heard of it before until it received an attention, consequent to the big failures of some of famous corporations like Enron, WorldCom and Global Crossing in the US and in Europe.

Jovanovic and Grujic (2016) noted that in his old book "The Wealth of Nations (1776)", Adam Smith found the existence of completely dissimilar concerns between shareholders and corporation executives. He viewed it as an unsolvable issue for the company being efficient. Based on them, recent amendments have occurred about hundred years ago where corporations have grown in size and undergo more complexities in terms of resources, shareholders and technology, outspread and variant in terms of anticipate earnings. Hence during this period, a growing number of corporations won shares that are registered on stock market, the number of brokers was also growing and as such the shareholders and executive management became more distant and out of reach.

At very beginning of twenty first century corporate governance gets the most attention due to the increasing events of outrages and illegal business conducts and that occurred in these periods. Due to the breakdown of organizations, for instance, Enron, WorldCom, Tyco and so on, the role of board committees, financial auditors, non-executive directors and others are reviewed and analysed and these efforts in turn raises a question about the ethical regulations of the organizations. These cases of collapsed big corporations have made the government and board of corporations look into the fundamentals of the corporate governance. In the corporate world, there has been a steady rise in the corrupt practices and maladministration resulting in poor governance. Corporate governance is an issue much before the scandals. Unethical and illegal operations lead to the rise in the issues in corporate governance. Good corporate governance develops the strong financial system of the country. It is not only boosting the economy but also protects the rights of the investors (Legal Holic, 2018).

Rezaee (2009) pointed out that the main corporate governance matter focused on the need of publicly listed corporations to set up the organizational structures and facilities to handle the necessity to segregate between managers' powers and that of stockholders. He documented that early American businesses were formed without limited liability provisions for owners, that exposed shareholders to insolvency due to management weak performance. He added that the initiation of limited liability provisions for corporations, and the considerable growth in the number of owners investing in public companies in 1900s, led to more distance between owners and their agents in terms of location, knowledge and handling corporation's daily operations. These developments necessitate the significance of a company board as a mechanism to oversight the company on behalf of shareholders, without much attention being given to corporate governance.

Vitolla, Raimo and Rubino (2020) reported that the evidence behind the increasing significance of corporate governance is the existence of various contributions in the various fields such as accounting, finance, management and law. He viewed corporate governance as a number of principles associated with the governance of corporations and the mechanism that recommend, apply and communicate these principles.

Thus, Kumar (2016) concluded that the evolution over time has created more acceptance of corporate governance as a genuine requirement and regulators have been working overtime for bringing out even more and stringent regulations.

2.3 CORPORATE GOVERNANCE DEFINITIONS

It is quite possible to realize that the concept of governance has been existing since the establishment of human organizations. This concept merely tries to include the means through which that organization acts. Later on, however, the term has drawn the public and this is simply attributed to the issues of governance that have been occurred at the corporation economic perspective and the national perspective as well. These issues have become a concern to examine what precisely is indicated by governance and what are those characteristics that might constitute effective governance (Aras & Crowther, 2009).

Despite that the issue of governance has become a worldwide concept and has been practiced in many areas such as politics, businesses and law, it is yet deemed to be one of the most controversial and challenging issue particularly in business context where the corporations are greatly searching for a system of control to satisfy the interests of both stockholders and other stakeholders. The existing literature provides many definitions of corporate governance by different scholars and practitioners but most of them comes to denote the same. Shirwa and Onuk (2020) described the corporate governance as a management profession that regulates and organizes the corporation based on the rules, codes and principles that represent the corporate governance framework and for the best benefit of all the stakeholders.

Tricker (2015) noted that because of the various corporate attributes such as accountability, fairness, transparency and social responsibility that associated with corporate governance, it is difficult to find one definition for corporate governance that cab agreed upon. Rizaee (2009) illustrated that corporate governance, recently, has acquired revived concern and significance and is currently arising as a focal issue within public corporations. Companies have recently experienced a series of corporate accountability reforms due to government regulations such as the Sarbanes Oxley act, the emergence of institutional shareholders with great power, listing rules and standards of stock market and the leading principles and best practices of investors activism.

The Modern corporation is considered as the “origin of new corporate governance”, to have “began the modern debate on corporate governance,” to have first recognized the “fundamental problem in U.S. corporate governance,” to be the initial task to have “described corporate governance as a problematic separation of ownership and control” (Wells, 2010).

According to Park (2012), corporate governance is the controller of the corporation's resources. He added, corporate governance model determines who makes the decisions about the investment, in what type to invest your money and the manner by which returns are distributed. Rizaee (2009) explained that there is no one worldwide accepted definition of corporate governance due to the nonexistence of a clear explanation to its concept, it includes various distinct economic events and it is frequently described from the investors' opinion. He views corporate governance as an economic area that examines how to stimulate executives by adopting the motive mechanism, such as agreements, organizational layout and regulations. He also referred to the lawful definition of corporate governance concept that primarily concentrates on stockholders' rights and deals with the principles, rules and codes to organize the power relationship among investors, board directors and executives.

Haidar (2019) stated that there is no worldwide agreed upon concept of corporate governance and this is attributed to the difference in economic, legal, political and cultural systems. Hence, non-similar definitions can explain the idea of governance depending upon the relevant power of interested stakeholders like shareholders, managers, suppliers, customers and employees. He concluded that the main purpose of corporate governance is to protect shareholders from the opportunism of managers and thereby assure interests and wealth maximization. It is the implementation of best management practices, commitment to moral and ethical standards for dynamic managerial performance and division of profits and assume the social responsibility to sustainability in fulfilling the aspirations of shareholders and other stakeholders. It is a system to keep a check on the accountability of the management and the board in a corporate structure (Legal Holic, 2018).

Several researchers have denoted that there is an obvious non-existence of overall agreement about corporate governance definition (Maher and Andersson, 1999; Corbetta, Gnan, and Montemerlo 2002; Pieper, 2003). The absence of an exact definition is to some extent attributed to the local legislative systems that show the variations in corporate rules and regulations and in the endeavors to protect investors (Laporta, Lopez-de-Silanes, & Shleifer, 1999; Shleifer & Vishny, 1997). Neubauer and Lank's (1998) presented two concepts of corporate governance: one that focuses on the absolute objective to which corporate governance standards are established, and another one that focuses on the essence of the major corporate governance duties.

Pieper (2003) pointed out that various efforts to define corporate governance can be gathered based on their fields into limited and expansive ones. Limited definitions are classical in their nature that focus mainly on stockholders' interests and, thus center on the dispute between owners and the company's executive team. From another side, broad definitions attempt to contain all stakeholders into the governance meaning.

The International Organization for Standardization (ISO) defined corporate governance as a systematic process by which a corporation takes resolutions and carry outs them to achieve its organizational goals. Nevertheless, governance systematic processes and techniques vary based on how large and what kind of firm and cultural, economic, environmental, political, and social surroundings in which it functions. They are managed by an individual or team members (investors, board members, committees and so on) holding the power and responsibility for achieving the corporation's goals (ISO 26000, 2009).

Aras and Crowther (2009) assumed that governance is a downward systematic process led by those exercising the executive authority and flowed down to the whole community. The process is basically parliamentary and based on general agreement, means that any number of individuals gather to direct their concerns and expand their deals and relationships. The compulsory nature of the downturn governance process allows a community to agree about leadership and involve in challenging resolutions which would not otherwise be taken. Similarly, it allows power to be taken over by dictators and perhaps used in a coercive manner such that nearly almost constituents of the community do not desire although they may exercise power beneficially.

Williamson (1975) indicates that upper lower, hierarchy systems of governance is so familiar particularly in big homogeneous corporations such as the public state. On the contrarily, the compromise or acceptance model intends to be the pattern in small firms such as domestic associations. However, there are other common patterns of governance such as governance through the market. Corporate governance represents partially one of the aspects of the great economic context where corporations operate and that consist of, for instance, economic guidelines at macro level and the product competitive position and markets surrounding. The legal, regulatory, and institutional environment constitute the corporate governance framework. Moreover, perception of corporate ethical rules and behaviors of the environmental and social interests of the societies in which a corporation works can also have an observable influence on its image and its future prosperity (OECD,2004).

Crowther and Seifi (2009) considered corporate governance as an environment of trust, ethics, moral values and confidence with a synergic effort of all stakeholders. They pointed out that corporate governance is one of the major significant topics that has been investing the intellectual abilities of management executives, creditors, audit professionals, owners and public officers. Ayorinde, Toyin and Leye (2012) defined corporate governance as a distinct sophisticated and multi-angle topic that involves certain factors which are responsible of the system and its ability to stand within the economic shocks.

Ranti and Samuel (2012) view governance as the processes and frameworks by which the business and concerns of institutions are controlled and managed. These processes enhance the future shareholders' wealth by encouraging corporate level performance and responsibility and that also safeguard other stakeholders' interests. They also argued that governance is about establishing reliability and trust, guaranteeing disclosure and responsibility beside preserving an efficient mechanism disclosing information that will adopt good governance practices. It is also documented that governance is a framework for decision-making process by which decisions are carried out or not carried out. Governance can be adopted in different situations such as global governance, regional governance and domestic governance (Drishti, 2020).

Heinrich, Lis and Pleines (2007) reported that the basic components of corporate governance definition are accountability of executive managers, disclosure of the corporation's financial situation and ownership structure and incorporation of all relevant stockholders into the process of decision-making. Iskander and Chamlou (2000) viewed corporate governance as a system responsible of making a comparison between social and economic objectives and between persons and societal goals. It is also a structure to enhance the best utilization of resources and in the same manner to demand for accountability for the control of those resources in order to parallelize, at maximum, the interests of people, companies, and community at large. According to Cadbury (1992) corporate governance is the system by which companies are directed and controlled.

Gulzar and Wang (2010) described corporate governance in terms of the policies, structures, processes, and regulatory laws that control the executive team of a corporation. Moreover, it is the method by which directors govern the performance of a corporation and about how board of directors are held accountable to the corporation and its stockholders. According to an electronic document by Regional Training Institute in Allahabad: corporate governance is the application of best management practices, compliance to ethical standards, distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders. The document also defined it as the process and structure by which the business and affairs of the company are directed and managed in order to enhance long term shareholder's value whilst taking into account the interests of other stakeholders.

Claessens and Yurtoglu (2012) stated that corporate governance conceptual definition differs greatly and its categorized into two types. The first type centers around the behavioral patterns that is the present actions and behavior conducted by the corporations, as by their financial performance, efficient utilization of resources, sustainable growth, sources of finance, and how stockholders and other stakeholders are dealt with. The second focuses on the standardized framework that involves regulations and rules under which corporations work under the rules stemming from such sources as the systematic laws, labor unions and financial markets. Consequently, they found that the first type is more appropriate for studies of single countries or firms within one country while the second choice is more relevant for comparative studies among firms in different countries to investigate how dissimilarities in the standardized framework influence the behavioral models of corporations, owners, and others.

In his effort to find out an appropriate answer to what is meant by good governance, Simonis (2004) identified three major features: First, good governance is based on relationships of mutual support and cooperation between public sector, private sector and civil community. The essence of the relationships among these effective groups, and the necessity to promote vital techniques to simplify interactions, is of crucial importance. Second, good governance is identified as having almost or some of the following components: involvement, accountability, disclosure of decision-making, rule of justice and anticipation. Third, good governance is conceptually standardized. The governance is supported by values that are suggested by the defining groups and organizations. He argued that researchers have also escalated the issue of possible inconsistencies and comparisons among the components, for example, economic development, labor working environment, civil rights and freedom, and the environmental protection.

PICG (2011) asserted that corporate governance indicates the system of rules, regulation processes for the overseeing and monitor of corporations. Corporate governance reveals the formal links among the executive management, directors, monitoring stockholders, minority stockholders and others. Good corporate governance provides great contributions to develop economic sustainability through promoting corporations' performance and enhancing the possibility to obtain capital from outside sources. This definition concentrates on three major components: 1) Direction means that all the resolutions that associated to establishing the entire strategic control of the corporation, such as: (i) long-run strategic decisions; (ii) widespread investment decisions; (iii) acquisitions and joint venture and mergers; and (iv) continuous planning and designation of major top executives. 2) Control indicates that all the tasks need to monitor the performance of management team and keep track of the execution of the strategic decisions established here above. 3) Formal links among the key governing groups of the corporation means the interconnections among the board members, the executive managers and the owners. The key component of any good governance structure is the apparent identification of the tasks, roles, rights, and the expected compensation for each one of these governing groups.

According to the multiple and different definitions provided above by a number of researchers and that were written by them since the inception of the concept of governance and till now, the researcher selects only two the definitions that precisely focus on achieving the interests of shareholders and other stakeholders as well, in the organization. One of these definitions is that provided by Ayorinde, Toyin and Leye (2012) which views corporate governance as a distinct sophisticated and multi-angle issue that involves certain factors that responsible of the system and its ability to stand within the economic shocks. The other definition is narrated by Ranti and Samuel (2012) who believed that corporate governance is the processes and frameworks by which the business and concerns of institutions are monitored and managed for the enhancement of future shareholders' wealth. In his view, this is carried out by encouraging corporate level performance and responsibility that put in consideration other stakeholders' interests.

2.4 THEORETICAL PERSPECTIVE ON CORPORATE GOVERNANCE

Sekaran and Bougie (2010) define a theoretical framework in terms of the hypotheses the researcher would develop, it represents the suppositions on how certain events, variables or visions are connected to one another and a clarification of why scholars think that these variables are related to one another (a theory). This sub-section briefly discusses some relevant theories of corporate governance. Jensen and Meckling (1976) view the corporation as a "black box" functioned in order to satisfy certain marginal conditions with respect to inputs and outputs by optimizing the financial returns or present value. They argued that the previous efforts have been exerted to establish a theory of the firm by rejecting the existing profit maximization model and substituting it with other models. The following are the most established theories exists in the literature.

According to Shirwa and Onuk (2020), corporate governance talks in the last two decades on twentieth century tried to make contrast among various local systems based on their points of strength and points of weakness to acquire favourable outputs for the companies and the nations that adopted them. In the late ninetieth, corporate governance appeared as the most debatable topic in all developed economies and also in the developing ones.

2.4.1. The Agency Theory

The agency theory of corporate governance has been named differently by different authors such as principal-agent theory, shareholder model, or finance model. In 1976, Jensen and Meckling in their old study, examined different utility functions of shareholders and managers, and the work of Modigliani and Miller in 1958. This theory addresses that agency problem came in to view as a result of the conflict between management team and owners over their interests. They argue that the relationship is an agreement such that one owner or more (the principals) appoint one manager or management team (the agent), on their behalf, to carry out specific tasks that includes delegation of authority to the agent to make necessary decisions. And in case both sides represent interest maximizers, it is by definition the appointed person (agent) will not expect to behave for the benefit of the owner (principal).

Kyere and Ausloos (2020) argued that with respect to agency theory, companies provide an opportunity to enhance high financial returns if cost is controllable and adjustable. The agency problem can be viewed as a wealth destruction due to the deviation of interests by both executive managers and shareholders. Moreover, agency costs are apparent in the stock exchange that impacts the corporation's stock market values. Hence, if agency cost is appropriately controlled, it can assist in enhancing stock prices, that is, it increases the entire financial results of the corporation. Haidar (2019) recalled that the problem of agency cost of equity just comes into sight when corporate managers are encouraged to invest in high risky projects for shareholders. The purpose behind this action is to realize high earnings, as managers possess an ample number of shares from one hand, and to realize high remunerations from the other hand, and consequently exposing shareholders interest to the risk of loss.

Rizaee (2009) pointed out that, in the shareholder model, the central goal of the corporation is to maximize stockholders' returns and consequently the purpose of corporate governance is to ensure the enhancement of shareholders' wealth and to balance between the interests of the agents with the interests of the principals. He explained that the principal-agent problem resulted due to two reasons: the division between ownership and control, and the costly enforceable agreements between the managers and the owners, named as agency costs. In his view, it is difficult to resolve the agency issue ideally and the agency costs cannot be entirely uprooted. In his view, agents fail to function in the best interest of principals due to two reasons. First, managers lack the managerial competence in discharging fiduciary duties. Second, lack of integrity caused by opportunistic behavior which have negative impacts on the value of the company's resources. Agency theory identifies certain techniques that could minimize agency costs (Eisenhardt, 1989).

These mechanisms include motives plans for executives which compensate them monetary to maximize shareholders' interests. According to Bonazzi and Islam (2007), in a public company, the owners represent the principals and the management team represent the agents who run the business instead of the principals, and for the principals' interests. They explained that although investors authorize the agents to make decisions with the anticipation that the agents will behave in their utmost benefit. It is found that agents give more attention to their own existence than to maximize the value of the firm to its shareholders.

Mulili (2011) indicated that due to uncertainty nature and lack of information in the business context, agency theory holds that a principal is worried whether the assigned agent is working effectively for him or her interest. Also, business managers have direct access to information and they can get it immediately when needed, thus it gives them a better position over the company's owners. Likewise, senior executives may be more desired in their own wealth than in the wealth of the company's investors. He added that the executives will not work to maximize welfare of the investors except if proper governance structures are executed to protect their own wealth, and this can be reached only if internal and external control attributes are adopted. Therefore, the agency theory argues that the purpose of corporate governance is to limit the trends of management behavior to act for their own and ignore the interest of the principals.

Keasey, Thompson, and Wright (1997) documented that, in the finance model, the absence of an explicit hindrances of profit – maximizing behavior by corporations is an adequate provision for enhancing community welfare maximization. The division of ownership from control may encourage managers to deviate from the shareholder value – maximization. Such behavior is widely predicted when a shareholder-manager trades in equity to prospected investors outside the company and as such the owner takes the responsibility of the total loss incurred due to equity decline. According to Fama and Jensen (1983) this requires a proactive anticipation and evaluation of agency relationship that may include benefits from wealth diversification and/ or gains from professionalizing the management function. Notably, the imposition of additional obligations on the corporate board would simply discourage the original owners from taking an outside equity holder.

Maassen (2002) believed that an owner's view of corporate governance is based on the suppositions that companies are non-public ownership and that directors whether executive or non-executive are entrusted to corporate owners. In other words, a shareholder's view of corporate governance describes it as a business unit subject to the interests of stockholders. Charreaux (2004) in his proposition of the disciplinary view of the shareholder model, suggests that since principals are the only remaining claimers, the effectiveness of the various mechanisms is examined based only on stockholders' value. He concluded that the interpretive capacity of the stockholder model is restricted, and this restriction particularly to demonstrate the framework and working of non-stockholder systems and the level of small pragmatism in light of the secondary role that principals function in providing finance for corporations or the mysterious relationship that linking the ruling systems to shareholder performance, contribute to the extension in order to consider other stakeholders.

Solomon and Solomon (2004) indicated that the management team is likely to show a trend towards “selfishness”, i.e. acting in a way to enhance their personal interest. This can lead to a willingness to concentrate on certain schemes and investing in opportunities that offer high returns in the short term, instead of focusing in stockholders' wealth maximization through investing in long term strategic projects. Thus, the industry sector in England has become famously short-term in nature.

2.4.2 The Stewardship Theory

In respect of stewardship theory, Goh (2008) suggested that the directors and the CEO, working like stewards or servants, are more encouraged to function for the maximum benefit of the company and not only for their own benefit.

The theory claims that over time, CEOs are likely to perceive the company as an integral part of them and they focus on the long-term prosperity of the company and not to exploit the company's resources to achieve their personal desires. In general, this theory holds that senior executives are more interested in improving the company's long-term performance than focusing on shareholders. Habbash (2010) noted that stewardship theory, not similar as agency theory, maintains that the interests of executive managers, as stewards, are parallelized with those of the organization and its shareholders. The scholars of stewardship theory emphasize on frameworks that enhance and support rather than oversee and direct. They refuse the agency theory's self-reliance system that encourages the suspicious "cop" position, assume that owners and managers have dissimilar personal benefits and view managers as basically selfish and personally centered. Thus, they are against the notion that agents wish to draw the attention of utilitarian clients by controlling them and adopting motives as a channel of monitoring.

Donaldson and Davis (1991) recount that based on this theory, the CEO, apart from being a Machiavellian evader, originally wishes to carry out a perfect performance, in order to become a reliable agent for the company's resources. Thus, stewardship theory states that there is no big issue in developing incentives scheme for the management team. Given the existence internal motivational incentives among managers, the question that comes to surface: to what extent do management team is capable to realize the desired performance of the corporation. Accordingly, stewardship theory holds that the variance in the level of performance depends on whether the structural framework where the chief executive officer is positioned supports the best achievements realized by the management team.

Donaldson and Davis (1994) described that managers are principally motivated by their needs for achievement of responsibility, they suggest that firms need to be served by professional executive managers with sufficient discretion and effective control by non-executive directors. In their opinion, non-executive board of directors is an ineffective control device that might damage the anticipated performance. Consequently, those advocate the stewardship theory expect great performance if majority of the board members represent inside directors who are more knowledgeable about the business issues than external directors and hence are able to take responsible and critical decisions to maximize value for shareholders.

Kyere and Ausloos (2020) argued that executives are company insiders who have better opportunity to obtain the required information about the organization's continuance and sustainability, compared to non-executive directors. Hence, executives are required to be more knowledgeable about company operating activities that will qualify them to take effective informed decisions. Likewise, stewardship theory assumes that having a limited number of non-executive directors is an ideal situation for corporations. Moreover, the stewardship theory confirms that dominance of the board of directors as insiders is more practical in realizing the goals of the organization due to direct possibility to attain the critical information and technology. Ultimately, the stewardship theory holds that the CEO was originally intended to carry out his duties efficiently and not to be exploitative and profiteer.

2.4.3 The Stakeholder Theory

The most fundamental challenge to the principal-agent approach comes from the theorists of the stakeholder model of the firm. They argue that the main assumption at the center of the stakeholder theory is the lack of a clear purpose and sufficient definition of the firm compared to the shareholder maximization approach. Instead the welfare of other stakeholders who have long term relationships with the company, should be adequately recognized in a form of interest or "stake" as far as the company is growing and scoring profit. The stakeholders are represented by such groups as suppliers, clients, creditors, employees and any other group who have a share or stake in the company. They conclude that it is a fundamental opinion in the stakeholder that a broader goal mission is not only fairer, instead more socially interactive than a function limited to shareholder wealth (Keasey, Thompson, & Wright 1997).

Charreaux (2004) indicated that the stakeholder model views the company as represented by a team of productive resources in which cooperation among them is an organizational lease. He referred to the amendments that are made to the model for the purpose of adding value to it, in contrast to the shareholder approach, it is associated with the distribution issue lead to an enquiry about shareholders' position of the remaining exclusive claimers. The ignorance of this supposition posed another question about the rent distribution which, because of the inseparable nature of investment/finance, also has a clear impact effect on wealth attainment. He also documented that the governance model is merely a group of restrictions managing the subsequent discussions regarding the distribution of the rent among various stakeholders.

Manawaduge (2012) suggested that it is not recommended to treat a company as a group of resources shared by investors, instead as an organizational arrangement for controlling the business connections among all groups that enhance the companies' particular resources. He also articulated the following as the basic assumptions of stakeholder theory: (i) an organization has relationships with many component groups (stakeholders) that are influenced by its decisions; (ii) the theory pays special attention to the quality of these links regarding the operations and results for companies and their stakeholders as well; (iii) the beneficial interests of all stakeholders comprise of the their original value, to the extent that the interests of certain parties within the overall group cannot control others interests; and (iv) the theory also concentrates on the decisions taken within the managerial framework. He explained that a stakeholder opinion of corporate governance centers around on the requirements and issues of all stakeholder parties and in what way are their interests valued and safeguarded by the company's managers.

Maassen (2001) noted that the stakeholder opinion on corporate governance deviates from the suppositions underlying the shareholder's view of corporate governance. This notion views firms as supreme entities where different groups have legal interests. Consequently, this opinion also concerns about the interests of stakeholders beside stockholders who expect their interests to be safeguarded by directors. Rezaee (2009) documented that the stakeholder model focuses on the broad perspective about the corporation as the series of contracts involve all corporate governance contributors with the collective objective of making the value. An approach that emphasizes on stakeholders' maximization including the principals, clients, creditors, suppliers, employees and the broader community as a whole and so on. Clarkson (1994) expresses a similar opinion when he considers the corporation as a model of stakeholders functioning within the embracing community of a sizable framework, that provide the legitimate organizational structure and the market facilities for the company's operations.

2.5 GLOBAL CORORATE GOVERNANCE MODELS

Haidar (2019) argues that since there is no common opinion in defining corporate governance concept, variant theoretical backgrounds have been used by scholars to analyse and explain it. It might be acceptable to believe that there's a great deal of closeness on a worldwide standard concerning the governance model, and this closeness is anticipated where the Anglo-Saxon model of that country, market and civilian community is dominant.

Mathur (2009) observed that convergence could not be easily fulfilled due to the dissimilarities of beliefs, principles, customs and norms. It is not important what type of governance system we accept, we can accept the current system, or gathering of different systems or completely a recently developed one. However, as mentioned before, there is a collective agreement on such general rules to accept. He reported that closeness will result in the integration of nations' governance models in only one model that involves the features of all existing models. Thus, Mallin (2004) argues that they tend to be an unquestioning assumption, that negotiations on governance considered the Anglo-Saxon model as a rule, and then took into account, if required, the differences from that rule.

EWMI/PFS Program (2005) provided that corporate governance framework, in any state, has specific features or components, that differentiate it from other countries' frameworks. Ungureanu (2007) noted that, in the classical governance system, if the corporation is operated by the owning family members, the economic factors and technological criteria will determine the leadership style realized by professional executives. Accordingly, new economic links and operations between shareholders and managers took place. Their systematic approach and practice develop the issue of corporate governance, yet its main goals do not vary. Shirwa and Onuk (2020) explained that, nowadays, latest corporate governance specially in the western countries requires to consider various groups of stakeholders, i.e. owners, executives, creditors, suppliers, company's staff and so forth. It has been observed that although these stakeholders deal with each other, several stakeholders utilize the rights of the others. This resulted in the rise of various models of corporate governance to put an end to this exploitation and to establish dynamic and well-functioning control system.

Kousalya, Revathi and Mohan (2013) pointed out that several corporate governance systems exist in different countries worldwide. These vary based on the capitalism of which they are an integral part. The Anglo-Saxon System needs to concentrate on shareholders' interests. The Multi-stakeholder system related to German and Japanese systems also gives consideration to the rights of executives, labors, clients, suppliers, and the society as a whole. An associated differentiation is conducted between market-tendency and network tendency approaches of corporate governance.

Shirwa and Onuk (2020) stated that nowadays every state tends to exercise corporate governance activities using certain techniques and approaches that are relevant to their norms, cultural context, economic environment, politics and legal structure. Generally speaking, there exist two models of corporate governance adopted worldwide. The first one called Anglo-Saxon or shareholders' system, they named it also market-based or outsider model. The second one named stakeholders' system or model, it is also famous as network-based or just insider model. In this study, three main kinds of corporate governance systems are recognized and examined, 1) The Shareholders Model or Anglo-Saxon Model and 2) The Stakeholders Model and 3) Japanese Model.

2.5.1 The Anglo-Saxon Model

The Anglo-Saxon model, known also as Anglo-US model, is the most familiar model of corporate governance and the mostly researched in the literature compared to other models. Shirwa and Onuk (2020) mentioned that the Anglo-Saxon Model is developed in UK and USA, but when compared with the USA model only minor differences are found. They describe UK's corporate governance as based on principles, which implies that companies adopting UK's model have to report about the compliance with the governance regulations documented using coding system or "explain and justify" of non-complying with them. Due to this reason the UK's corporate governance system is named as "comply or explain" system. Meier and Meier (2013) added up that this "comply or explain" technique permits decisions about numerous issues, such as the independence of outside board members. Hence, they view this model as a good example that depicts the relations between the corporation and its owners and not between the corporation and the regulating institutions.

Shirwa and Onuk (2020) indicating that UK had tens enquiries which enhances the following: strict control of managers' compensation; a more dynamic function of first founder shareholders; high transparency and full disclosure of financial reports; a major for independent board members; and facilitated oversight of accountants and auditors**.** Aras and Crowther (2009) stated that the model is based on regulatory laws that need to be coded and can be easily interpreted in standard form by the relevant judging entity tends to be hierarchical and therefore orders are issued from above; In addition to this, there is a supposition supporting its effectiveness, and therefore there are no intention for any other substitutes. Adungo (2012) asserted that this model is characterized by segregation of holding rights and regulatory framework, efficient stock exchanges, major disclosure regulations and perceivable transparency. In this model, aspects of governance, political matters and delegated power become inextricably interconnected.

Solomon (2007) argued that this governance model has been exposed to misapplications due to the lack of segregation of political power from governance issues. This resulted in an urgent need to provide a distinct separation between them. The evidence is that the political issue is mainly associated with the operations by which individuals in a certain group, who have controversial and diverse views can easily arrive to a consensual resolution that is commonly considered as obligatory among the individual within that group, and hence imposed as an overall policy. With respect to governance issue, It is associated with the operations and managerial components of governing rather than its opposing ones. Aras and Crowther (2009) indicated that although it is not difficult to separate politics from management, our evidence is that approaches and models of governance propose that although power relationships need not to be identical, they are not too different. If this relation is too dissimilar then the protection mechanism in the governance framework do not sufficiently functioning given that one of the characteristics of globalization is the expansion of such power diverse.

Kousalya, Revathi and Mohan (2013) showed that “Anglo-American model” of corporate governance focuses mainly on stockholders’ interests and depends on a “single tiered board” of board members that is normally controlled by non-executive board members who are appointed by stockholders. Due to this, it is named as “the unitary system”. The "Anglo-Saxon" system is distinguished by stock ownership of people, and institutional shareholders progressively not associated with the corporation recognized as outside investors or "outsiders". A well-instituted legal structure that identify the privileges and accountabilities of three major groups, particularly executives, board of directors and investors; A relatively simple processes for interrelation between the investors and the corporation and also between investors during or outside the “Annual General Meeting” (EWMI/PFS Program, 2005).

The “Anglo-US system” is distinguished by the control of independent stockholders in that particular corporation. The executive is accountable to directors and to the stockholders, the latest group is concerned mainly in operation related to profitability and distribution of dividends. This trend enhances the movability of investments and their shift from the ineffective to the progressed regions, however there is absence of the long-term strategic planning. The governance system occurs in corporations at three levels: executives, board of directors and investors. The governance’s power is acquired from the shareholders’ rights and the executives’ power is acquired from governance’s controlling power. The company’s equity is divided among stockholders; the shareholders have no privileges to make or influence on corporation’s decisions. In the Anglo-Saxon model shareholders are described as individuals who are expected to exercise their privileges over other stakeholders, such as company’s staff, financiers, creditors and the community at large (Ungureanu 2007; Alkahtani 2013).

Ungureanu (2012) said that, in this model, the controlling parties are the independent persons and stockholders. He thought that the executives are basically responsible in front of the directors and stockholders. It facilitates the utilization and movability of investments and from nondynamic opportunities to the earnable ones. He viewed this system as concerning with financial institutions and strict banking restrictions, particularly that associated with possessing shares in companies external to banking sector.

Mathur (2009) documented that the key players in this model include management, directors and shareholders. They form what is commonly referred to as the "corporate governance triangle." Here, the investors are responsible for appointing the board members and on the other side, the board designates the corporate executives. With this mechanism the result is the segregation between those hold the ownership and those practicing the monitoring. Executive team have seats on the boards, but the typical board should have non-executive board members who are not practicing managerial roles. In general, the board is made of executive directors and some “independent” board members. The board predominantly has fixed ownership stakes in the corporation but needed to behave in an entrusting way for shareholders’ interest by utilizing their power to monitor executives. The interests and interaction of these players are diagrammed in figure 2.1 below.

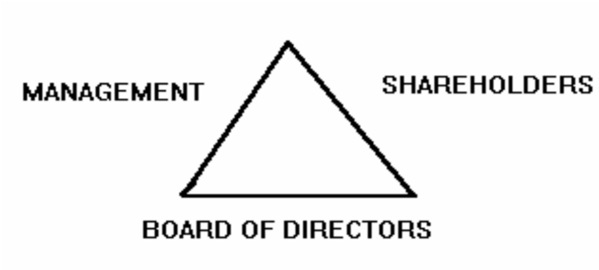


Figure: 2.1 Interests and Interactions of Corporate Governance Players

Manawaduge (2012) mentioned that this system is also named as “market-based” system because when managers find it difficult to achieve a corporation’s value maximization goal, they subject it to risk of a takeover; the maker for corporate monitoring may be a more dynamic disciplinary mechanism than either the controlling activity by institutional shareholders or board members. He, also, points out to the following as main features of a “market-based” model: (i) practice of more power by the investors compared to other stakeholders in making decision within management context, (ii) presence of a single-tired governance board, (iii) practicing as a key part by share markets, (iv) presence of dynamic market for corporate monitoring with recurrent takeovers, (v) greatly spread ownership, (vi) existence of performance established on the base of remuneration plans for managers and (vii) adherent monitoring of corporation’s performance based on short term.

According to Shirwa and Onuk (2020), this model, to a great extent, relies upon the money market as a technique of influencing behaviours. It is also characterized by legal rules and control techniques that favours the adoption of the public money markets and meant to build trust among non-monitoring shareholders. In countries adopting Anglo-US system, the legislative framework identifies the privileges of stockholders to organize the company and adapts the directors and executive to be accountable to stockholders. Zainullin, Egoryasheya, Bondarchuk and Kurashova (2018) depicted the spectrum of corporate governance which characterized by different models. This can be classified by figure 2.2 below.

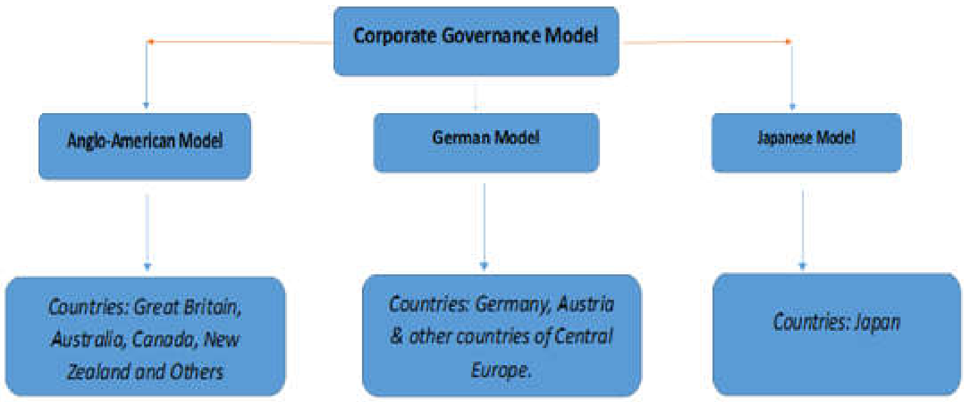


Figure: 2.2 Corporate Governance Systems

They also provided the main Pros and Cons of the Anglo-US System of corporate governance are elaborated in Table 2.1.

Table 2.1: Pros and Cons of the Anglo-American Model of corporate governance

"Merits	Demerits
High return on equity in the short term	Cost of capital is too high in comparison with Japan & Germany
High Liquidity	Accountancy practice leads to overestimating investment return.
Corporate Governance Transparency	The stock market is focused on short term benefit.
Strict control of securities and Exchange Commission.	Stock market does not reflect the real value of assets as it is susceptible to fads and to whims of major individual players.
	Absence of control of shareholders over endeavours to increase salaries and remunerations for board members and executive board.
	Mass phenomena of hostile acquisitions, raider takeovers and greenmail.

Source: REVISTA ESPACIOS, 2018

2.5.2 The Stakeholder Model

This approach also known as German model since it includes continental European countries such as Germany and the Netherlands. The continental model intended to enhance corporate governance by adopting a dual board. In the dual board, the management board composed of corporation managers, usually manages daily operating processes while the governance board, consist of completely non-executive board members who act on behalf of investors and company staff, employs and dismisses the executive board members, identify their remuneration, and interacts with important and relevant decision-making process (Kousalya, Revathi and Mohan, 2013). Zainullin, Egoryasheya, Bondarchuk and Kurashova (2018) indicated that the German model based on a rule of societal interrelation, i.e. all stakeholders hold a privilege to play a role in making the necessary decisions.

According to Mathur (2009), there exist three prominent attributes of this approach that distinguishes it among the rest: (i) board formation (dual board) (ii) rights of a shareholder (established according to rules and regulations without the influence of shareholders) (iii) restricting the voting rights (restrict a shareholder to practice voting until specified limit, irrespective of his investment portion in the company). Shirwa and Onuk (2020) stated that the stakeholder approach, particularly in Germany, is characterized with having dual board structure, and this structure is made of two dissimilar boards functioning simultaneously; the controlling board which at on behalf of the company's staff, stockholders and the executive team that is formed of the company's managers. This approach, if compared to "shareholder approach", we found that company's staff play a key function in the "stakeholder approach". There's also an administrative assumption that, among the stakeholders' groups, company's staff enjoys a great deal of attention, and the executive's role is to harmonize between investors, company's staff and the other stakeholders.

Ungureanu (2007), in his opinion, this model is differentiated by great focusing on invested capital whereas stockholders have common stocks and dividends in the company and play a managerial role and monitoring. Executives are accountable to a large group of stakeholders including shareholders, like unions, business associations. The firm is identified as association of different interest groups attempted to systemize the domestic interest goals. In Germany, particularly the corporate governance model is a two-tiered one, pursuing at the same time a domestic policy to equip company's staff with an approach to information and involvement in different operations of the firm and industrial parliamentary system.

EWMI/PFS Program (2005) documented that German corporate governance system varies considerably from both the “Anglo-American” and the “Japanese” systems, despite the fact that part of its components looks like the “Japanese” system. There exist three distinct components of the “German” system that characterize it from the rest of the systems. Of these components, two relate to board formation and one pertains to stockholders’ privileges: Firstly, the “German” system explains two boards with independent members. German corporations have a dual board framework composed of an executive board (entirely consist of insiders, that is, managers of the company) and an administrative board (consist of worker/staff delegates and shareholder delegates). The two boards are entirely unique; no one may work at the same time on a corporation’s management board and monitoring board. Secondly, the number members of the monitoring board are determined according to government regulations and legislations and corporation’s investors has no power or rights to influence it. Thirdly, in this system, restrictions for voting right are lawful; these constraints restrict a shareholder to voting a certain percentage of the company’s total equity, irrespective of the number of shares he owns.

Alkahtani (2013) explained that, the Continental European corporate governance model contains four elements: namely shareholders, directors, executives and employees. It may be observed that this model embraces employee involvement in corporate governance through the institution of the board of directors. It is also alleged that this model appears to be similar to the Anglo-American model and it has been attributed to three reasons, the first reason of this transformation is the globalisation of markets and the need to discover governance forms to improve effective competition in the marketplace. The second reason is the push from institutional investors to make the transformation towards the Anglo-American corporate governance regime. The final reason is the standardization of information across firms in response to entering international capital markets. However, this allegation is disputed, because even if there is a globalization of markets, European corporate laws continue to maintain stakeholder’s interests, and to assert that institutional investors are pushing companies to transform into an Anglo-American corporate governance regime has not been confirmed thus far.

Park (2012) reported that the main reason why this model prioritizes company's staff, is the societal parliamentary system that guarantees safe future for employees' benefits whenever conflict arises among shareholders. Hence, this increases the agency problem in the corporation since these conflicting matters are not influenced by the market forces.

Zainullin, Egoryasheya, Bondarchuk and Kurashova (2018) depicted the main Pros and Cons of the German model of corporate governance as outlined in Table 2.2

Table 2.2: Pros and Cons of the German Model of corporate governance

Merits	Demerits
Stability of corporate governance system	Low liquidity
Rare phenomena of hostile acquisition, raiders takeovers and greenmail.	Low corporate governance transparency.
Realization of social interaction principle	Disregard of minority shareholders' rights.
Maintenance of the balance of interests of majority shareholders, partners and employees	Small influence of independent directors.

Source: REVISTA ESPACIOS, 2018

2.5.3 The Japanese Model

In the Japanese Model, Mathur (2009) noted that Japan has a unitary board like British and American models and the corporation is controlled by members of executive management covering over 75% of board members who are mainly executives. Ungureanu (2007) argues that the executives' accountability demonstrates itself relative to shareholders and a network of loyal suppliers and clients. The quality pattern of governance is controlled by two types of legal relationships: one is the collective cooperation between shareholders and unions, customers, suppliers, creditors, government and another relation is between governors and the stakeholders, and executives as well. He considers the significance of the model emerges from the fact that company operations need not be influenced by the relations between all these individuals, relationships that result risks. The researcher counted some similarities of this model to the continental model: The Japanese model is based on internal control and does not focus on the influence of strong capital markets, it is also similar to German model, such that major shareholders are actively involved in the management process to stimulate economic efficiency and to penalize its absence, it also aims to harmonize the interests of social partners and employees of the entity.

Zainullin, Egoryasheya, Bondarchuk and Kurashova (2018) noted that corporation is monitored by the CEO and the directors. The directors should have the sufficient knowledge and expertise in the company's operations and activities. The rate of independent board members should be at least one third. In order to appoint new board members, they should be filtered and checked by the CEO and the President's assertion about their expertise and competence, then board members can take a vote.

Shirwa and Onuk (2020) explain that the corporations in Japanese system are linked together through a network and enhanced with cross holdings of other companies' stocks. In these interrelated companies, which are called a *keiretsu*, there is also a reputable bank and many other financial institutions, that own stocks in the corporations in that group. Consequently, a Japanese *keiretsu* regulation is multidirectional, which indicates that each company is well off to practice some degree of control over the companies that monitor it.

Shimohata (2007) views that Japanese approach make utilization of non-market linkages as compared to competitive ones presented in other approaches. Theorists of the model handle the dissimilar capitalist approaches and different results with this reason from institutions for market harmonization, and stakeholder approaches. They argue that actors such as investors, executives and labors within corporate governance create regimes for power division in order to distribute dividends, that characterized national capitalist approaches. This situation emphasizes the functions of executives in the government authorities who harmonize interests according to the governing authority.

Zainullin, Egoryasheya, Bondarchuk and Kurashova (2018) depicted the main Pros and Cons of the Japanese corporate governance approach that are shown in Table 2.3.

Table 2.3: Pros and Cons of the Japanese Approach of Corporate Governance

Merits	Demerits
Stability of corporate governance system.	Nepotism in owning and managing companies.
Rare phenomena of hostile acquisition, raiders takeovers and greenmail.	Low corporate governance transparency.
Family approach to corporate governance	Disregard of minority shareholders' rights.
Maintenance of the balance of interests of companies included in the *keirestu*	Small influence of independent directors.
Existence of informal, club agreements.	Low liquidity of the stock market.

Source: REVISTA ESPACIOS, 2018

The dissimilarity observed among shareholder and stakeholder approaches had been a controversial in corporate governance context. Shirwa and Onuk (2020) presented a conceptual comparison between shareholder and stakeholder models in Table 2.4 below.

Table 2.4. Conceptual Dissimilarities between Shareholder and Stakeholder Models

Particulars	Merits	Demerits
Aim	Increase shareholder's value	Pursue different aims of groups with different objectives
Governance Framework	Managers are the agents of the shareholders	Stakeholder appointed board of directors
Governance Process	Control	Collaboration, cooperation and conflict resolving
Performance Measurement	Shareholder's value is sufficient to maintain investor commitment	Fair dispersion of value made to keep commitment of many stakeholders
Risk Holders	Shareholders	All stakeholders

Source: REVISTA ESPACIOS, 2018

2.6 GLOBAL PERSPECTIVE ON CORPORATE GOVERNANCE

Rosenau (1999) indicated that all frameworks of governance are focused primarily on the monitoring of organizations, formal political corporations that attempt to harmonize and monitor interchangeably dependent societal groups and that in a position to impose and influence in the decision- making process. Moreover, in a globalized world, the concept of governance is being utilized to describe the regulation of interchangeably dependent groups that lacks political power, such as in the global framework. Thus, international governance can be perceived as a controlling power of global operations in the lack of global government framework. Shahwan and Mohammad (2016) stated that corporate governance comprises of the laws and legislations associating with business activities and the management endeavors towards tasks accomplishment, their roles in community development and their efforts to protect working environment.

In (2008), Liew noted that governance is in a worldwide transformational stage, with the powerful trend for corporate governance restructuring, particularly the liberalisation and globalisation of capital markets. And with the advancement in information technologies. Capital is now able to move rapidly around the world searching for profits. These worldwide trends dictate that investment follows the path to corporations and countries that have 'good' governance standards. Rosenau (1999) reported that there exist some global organizations that require to handle these issues and prominent among these are the United Nations and the World Trade Organization. Each of these has met with mixed success in instituting some form of governance in international relations but are part of a recognition of the problem and an attempt to address worldwide problems that go beyond the capacity of individual states to solve.

2.6.1 THE REGULATORY FRAMEWORK OF CORPORATE GOVERNANCE

The OECD Corporate Governance Factbook, 2019 reported that changes to legal structure of corporate governance is said to be quite dynamic. In the previous two years, almost 50% of all legal authorities have reviewed their regional corporate governance codes. The balance between official regulation and a "comply or explain" approach in the corporate governance structure differs among legal authorities. While almost all legal authorities now have domestic codes or principles, a few legal authorities do not have such codes and they handle these issues primarily through legislations, rules and listing requirements. When countries concerned with corporate governance issues, they have applied different combinations of legal and regulatory tools on the one side, and codes and principles on the other side.

In all legal authorities, corporate governance measures are included in company law and securities law. The Corporation Laws determine the default option with respect to corporate structures, the detailed framework of which is determined by the Corporation's Articles and Laws. Securities laws provide binding requirements, making shareholder protections applicable to regulators. Furthermore, almost all legal authorities supplement their legal and regulatory requirements with corporate governance codes. The domestic corporate governance codes are being updated at a growing rate, with 23 revised codes released during 2017-2018, up from 17 new or updated codes in the last two years. In most jurisdictions, domestic authorities and/or share exchanges have taken the lead in creating or reviewing codes (OECD Corporate Governance Factbook, 2019).

2.6.2 OECD Principles of Corporate Governance

There is no worldwide agreed set of corporate governance principles that can be utilized through a wide range of board frameworks, business practices, legal, political and economic settings (Rezaee, 2009). The OECD was the first global organization to establish an intergovernmental task force in order to produce a set of internationally agreed upon principles of corporate governance. Shahwan and Mohammad (2016) noted that the OECD principles of corporate governance are the most important public policy mechanisms that assist regulators to effectively evaluate and improve the institutional, regulatory and legal framework for reliable and consistent corporate governance.

The OECD, 2015 presented the six principles of Corporate Governance, *these principles* are intended to help policymakers appraise and enhance the legal, regulatory, and institutional structure for corporate governance, with a view to support economic efficiency, sustainable growth and financial stability; *the Principles* are intended to be concise, understandable and accessible to the international community.

The principles concentrate on publicly traded companies, both financial and non-financial; The Principles are not intended to bias or detract from the business judgment of individual market participants, directors and company employees; *The principles* recognize the interests of employees and other stakeholders and their important role in contributing to the company's long-term prosperity and performance; *The principles* are created with the concept that corporate governance policies have to practice a key function in implementing broader economic objectives associated with investor trust, capital formation and allocation. In conclusion, there is no single model of good corporate governance that is accepted worldwide, but there are some mutual components that support good corporate governance.

The principles built on these common components are formulated to foster the existing dissimilar models; *the Principles* are non-committal and do not intend to detail instructions for domestic legislation. Rather, they tend to determine goals and propose different mechanism for implementing them; *the Principles* tend to avail a solid but adaptable reference for policy makers and market participants to initiate their own structures for corporate governance; *the Principles* are broadly adopted as a benchmark by individual legal authorities around the globe; *the Principles* themselves are evolutionary in nature and are revised in terms of important amendments in circumstances in order to keep up their role as a guiding instrument for policy making in the scope of corporate governance (G20/OECD, 2015).

2.6.2.1 Ensuring the Basis for an Effective Corporate Governance Framework

The corporate governance structure should promote transparent and fair markets, and efficient resource utilization. It must be compatible with the rules and regulations and support effective monitoring and implementation. Gyamerah and Agyei (2016) noted that corporate governance structure should safeguard and support the practice of shareholders' rights. It states that the basic shareholders' rights include: secure registration of ownership, shares movement, frequent availability of appropriate and material information on the firm, playing a role and voting in annual general meetings, select and dismiss directors, and share in the profit of the firm.

According to OECD (2015), this principle requires the following elements to be met: **i)** the corporate governance framework should be developed with a view of its impact on aggregate economic performance, market integrity and the incentives it creates for market participants and the support it provides to transparent and well-operating markets. **ii)** the legal and regulatory requirements that influence corporate governance practices should be compatible with the legislative rules and regulations, sufficiently transparent and binding. **iii)** The allocation of responsibilities between the different authorities must be clear and designed to work for the public interest. **iv)** stocks exchange regulations should enhance effective corporate governance. **v)** monitoring, regulatory and enforcement authorities should have the authority, integrity and resources to fulfil their duties in a professional and goal-oriented method. **vi)** Cross-border co-operation should be enhanced, including thorough bilateral and multilateral arrangements for exchange of information.

Aras and Crowther (2009) implied that for effectiveness, it is necessary that the processes and organizations provide results that provide the requirements of the organization while making the efficient utilization of the available resources. Naturally, this also indicates the achievement of sustainability in resources utilization and the environmental protection.

2.6.2.2 The rights and equitable treatment of shareholders and key ownership functions

The corporate governance framework should secure and make easier the exercise of shareholders' rights and ensure the equitable treatment of all shareholders including minority and foreign shareholders. All shareholders are given the chance to obtain effective compensation for being prevented from exercising their rights or in case their rights are violated. According to Gyamerah and Agyei (2016), all shareholders are given the opportunity to defend effectively for violation of their rights. Consequently, all shareholders within the same class should be treated equally and fairly. In order for this principle, the following elements need to be satisfied:

i) basic shareholder rights should include the right to: 1) ensure ownership registration; 2) move or shift stocks; 3) secure frequently appropriate and essential information on the company; 4) participate and vote in general shareholder meetings; 5) elect and remove members of the board; and 6) share the profits of the corporation.

ii) Shareholders should be sufficiently informed about, and have the right to approve or participate in, decisions concerning fundamental corporate changes.

iii) Shareholders should have the opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules, including voting procedures, that govern general shareholder meetings.

iv) Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.

iv) All shareholders of the same series of a class should be treated equally. Capital structures and arrangements that enable certain shareholders to obtain a degree of influence or control disproportionate to their equity ownership should be disclosed.

v) Related-party transactions should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interest of the company and its shareholders.

vi) Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress. Abusive self-dealing should be prohibited.

Kousalya, Revathi and Mohan (2013) added that organizations need to consider shareholders' rights and assist them to exercise those rights. They can implement this assistance to shareholders by communicating the information transparently and efficiently and through enhancing shareholders to practice their role in the annual general meetings.

2.6.2.3 Institutional investors, stock markets, and other intermediaries

The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock exchange to function in a mode that participate to enhance effective corporate governance. The following points should be met under this principle:

i) instituted shareholders behaving in a fiduciary capacity have to declare their corporate governance policies and voting procedures in relation to their investments.

ii) Votes should be cast by custodians or candidates in accordance with the instructions of the owner of the shares.

iii) Instituted shareholders who behave in a fiduciary capacity should declare how they control the material disputes on interest that may influence the exercise of principal equity rights in relation to their investments.

iv) The corporate governance structure should require that proxy advisors, analysts, brokerage firms, ranking organizations and others that present analytics or consultations pertinent to decisions taken by shareholders, declare and minimize disputes on interest that might balance the integrity of their analysis or consulting work.

iv) based on insider information trading and market exploitation should be prohibited and the applicable rules must be prohibited.

v) for companies incorporated in a legal authority different from their jurisdiction of incorporation, the applicable corporate governance laws and regulations should be distinctly declared.

vi) stock exchanges shall provide fair and effective price disclosure as a mechanism to enhance good corporate governance (OECD, 2015).

2.6.2.4 The Role of Stakeholders in Corporate Governance

The corporate governance framework should acknowledge the rights of stakeholders set by law or through mutual contracts and promote effective co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially strong enterprises. For this principle the following elements need to be met:

i) The stakeholders' rights that are set by law or through mutual contracts should be esteemed.

ii) When stakeholders' interests are safeguarded by law, stakeholders should be given the chance effectively defend their rights in case they are violated.

iii) participation mechanisms for employees should be allowed to proceed.

iv) whenever stakeholders involved in the corporate governance functions, they should be allowed to access appropriate, adequate and reliable information on a timely and frequently basis.

v) stakeholders, should be in a position to communicate freely their matters regarding illegal or unethical behaviours to board of directors and to the public authorities; and to compromise their rights for achieving this requirement.

vi) The corporate governance framework should be supplemented by an effective and efficient bankruptcy framework as well as effective fulfilment of creditors' rights.

In the opinion of Kousalya, Revathi and Mohan (2013), organizations should acknowledge that they have legal, contractual, social, and market-led commitments to stakeholders including employees, investors, creditors, suppliers, local communities, customers, and policy makers. Jensen (2010) and Prugsamatz (2010) indicated that since a corporation cannot achieve the value maximization goal when it disregards the interest of its stakeholders, corporations are required to be stakeholder-oriented. Jensen (2010) though that the Board's principal accountability is to raise shareholders' wealth, an accountability towards all stakeholders and should control all potential disputes of interest between the corporation and its stakeholders.

2.6.2.5 Disclosure and Transparency

The corporate governance framework should secure disclosure at the right and accurate time and that to be applied to all material matters regarding the corporation including the financial situation, performance, ownership, and governance of the company. This principle requires the following points to be considered:

i) disclosure should include the financial and operating results of the company, the selection process, other company directorships and whether they are regarded as independent by the board; related party transactions; foreseeable risk factors; Issues regarding employees and other stakeholders; and governance structures and policies.

ii) information should be arranged and declared based on high quality measures of accounting, financial and non-financial reporting.

iii) an annual audit should be performed by an independent, professional and qualified auditor in accordance with high-quality auditing standards in order to present an external and objective assurance to board of directors and investors that the financial reports are fairly represent the financial position and performance of the company in all material concerns.

iv) external auditors must be responsible towards the shareholders, and their duties towards the company have to be exercised with professional attention in conducting the audit.

v) information dissemination channels shall obtain relevant information from users in an equitable, timely and cost-efficient manner.

Similarly, Gyamerah and Agyei (2016) asserted that the corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company. Chi (2009) concluded that high level of transparency and disclosure decreases the information inconsistency between corporation's executives and stakeholders. Similarly, a better transparency and disclosure exercises set an effective corporate governance practice that results in corporation's sound performance. According to Aras and Crowther (2009), transparency requires that information be made freely available so that it can be obtained directly by those who might be affected by these decisions and its implementation. Transparency is of distinct significance to external users who need such information as those users lack the background details and available knowledge to internal users for such information. For this reason, the decisions that are made and implemented are carried out in a manner that adheres to the rules and regulations.

2.6.2.6 The Responsibilities of the Board

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders. This principle needs the following to be met:

- **i)** board members should work on a fully informed basis, in great loyalty, with due diligence and care, and in the best interest of the company and the shareholders.
- **ii)** the board is required to treat all shareholders equally and fairly when board decisions might affect various shareholders differently.
- **iii)** the board needs to adopt high ethical standards that should take into consideration the interests of stakeholders.
- **iv)** the board should fulfil certain major roles.
- **v)** the board of directors must be able to exercise objective and independent decisions on company's concerns.
- **vi)** in order to fulfil their accountabilities, board members should have direct access to accurate, reliable and punctual information.
- **vii)** When an employee acting on the board is delegated, mechanisms should be developed to simplify access to information and training of employee's representatives, so that such representation is effectively exercised and

better contributes to enhancing directors' skills, independence and information.

Ferrer and Banderlipe (2012) believed that a board with greater accountability, integrity, expertise, honesty and ethical accountability will assure sustainability in business partnership between the company and its stakeholders. Kousalya, Revathi and Mohan (2013) declared that organizations should clarify and make publicly known the roles and responsibilities of directors and executives to provide stakeholders with a specified level of accountability. They should also carry out procedures to independently verify and safeguard the integrity of the company's financial reporting.

The OECD, 2015 stated that the accountability of the board ensures strategic guidance of the company, the effective monitoring of executives by directors, and the board's accountability to the corporation and the investors. This principle is elaborated as follows:

1) the members of the board of directors must work on the basis of full knowledge, in good intention, with the required effort and diligence, so as to achieve the interests of the company and the shareholders in the fullest manner.

2) the board of directors should treat all shareholders fairly, particularly in circumstances in which board decisions may affect various groups of shareholders differently.

3) the board must apply high standards of ethical behavior while taking into account the interests of stakeholders.

4) the board of directors should perform some key functions, that include: (i) reviewing the company's strategy, issuing appropriate directives, developing master business plans, risk policy and annual budgets; setting performance goals; monitor the implementation and performance of the company; as well as overseeing major capital expenditures, acquisitions and liquidations, (ii) oversight of the effectiveness of governance practices and implementing required amendments when needed, (iii) selection, compensation, oversight, and replacement of key executives, when necessary, and oversight of succession planning, (iv) align the remuneration of senior executives and the board of directors with the long-term interests of the company and its shareholders, and

5) ensure the formal and transparent process of nomination and election of the board of directors.

6) The board of directors must have sufficient capacity to exercise objective and independent judgments about the company's affairs.

The World Bank presented 8 major principles of good governance that was also adopted by United Nations, these principles include the following:

1) Participation: this principle indicates that people should be able to express their opinions through organizations or direct legitimate representatives. This includes men and women, vulnerable groups of society, other uncivilized classes, minorities, etc. Participation also means freedom of expression and association.

2) *Rule of Law*: the rule of law refers to the necessity of applying the legal framework in a completely impartial manner, particularly with regard to human rights laws. Without the rule of law, politics will follow the Masa Nyaya principle, the law of fish according to which the strong dominate over the weak.

3) *Guided consensus*: This means that taking unanimously directed decisions ensures the achievement of a common minimum by all that does not harm anyone, even if everyone does not fully achieve what they want. It mediates several interests to meet the broad consensus on the greater interests of the society.

4) *Equity and inclusiveness*: This indicate that good governance ensures an equitable and fair society, and that people should have the opportunity to maintain and improve their current well-being in the future.

5) *Effectiveness and Efficiency*: the opinions state that activities and institutions must be qualified to achieve results that satisfy the needs of their community, and that community resources must be used in an efficient manner to achieve maximum volume of production.

6) *Accountability*: it means that good governance goal is to improve the environment of people, and this cannot be achieved without the governing body being accountable to the people. All public institutions, the private sector and civil society organizations should be accountable to the public and the concerned institutions.

7) *Transparency*: information must be publicly available and accessible to the public. Transparency also refers to media freedom and the delivery of information to people.

8) *Response*: means that the purpose of the institutions and activities is to serve all stakeholders in a reasonable period of time (Drishti, 2020).

2.7 CORPORATE GOVERNANCE FRAMEWORK IN SAUDI ARABIA

2.7.1 General Background on Saudi Arabia

The Kingdom of Saudi Arabia (KSA) is the largest among other Arabian countries in the Gulf region. Its area is estimated about the size of the United States east of the Mississippi River (Royal Embassy of Saudi Arabia, 2014). According to GMI (2021) KSA is located at the heart of the Islamic and Arab worlds and it has a great value worldwide since it embraces the two holy mosques: Mecca and Medina. Mecca, according to Muslims' belief, is the first house of Allah (Lord of creatures), where the sacred Kaaba is located for Muslims to pray and perform the two rituals, Hajj and Umrah. Based on (2021) United Nations' Report, Saudi Arabia's population is estimated to be 35.34 million including a growth rate about 1.50% with respect to 2020 census. The population of the foreign residents is estimated, in 2021, about 13.49 million. Riyadh is the capital, the most famous, influential and leading city in the middle east and it homes around five million people.

Geographically, Saudi Arabia has a variety of forests, grasslands, mountain series and a wide area of deserts. The climate also differs from place to place. The temperatures range from over 110 degrees Fahrenheit in the desert in the summer to below freezing in the winter in the central and northern parts of the country. Rainfall season in Saudi Arabia indicates very low record, only about four inches on average annually.

According to Ministry of Foreign Affairs (2014), the modern KSA is established by King Abdulaziz on in September 23, 1932. Immediately after the oil excavation endeavours, large reserves of oil were discovered, and commercial production of oil started within six years. The economy of Saudi Arabia changed drastically and a modern industrial state is established. Currently, KSA is the 18th largest economy in the world. Crown Prince Royal Highness Prince Mohammed bin Salman bin Abdulaziz, in his Vision 2030 statement, he aspires to build Saudi Arabia to be an investment powerhouse and as a central point that links Asia, Europe and Africa.

Politically, the kingdom applies both Arab and Islamic law as the primary legislative branch. Ruling in the political system is a monarchy, so that the king is the reference in the ruling system, and the rulers of the country are chosen in succession from the sons of the founding king, Abdul Aziz bin Abdul Rahman Al-Faisal Al Saud, and their predecessors come after them. However, devolution of power by succession ensures the full leadership of the country and promotes compliance with the principles of Islamic law.

Religiously, the KSA is a Royal Arab Islamic State. Al Ahmary (2018) reported that KSA enjoys an important Islamic status amongst other Islamic countries as it is the place where Islam has aroused and spread out. It owns the honour that the two holiest cities of Islam, Makkah and Al- Medina are located. Makkah is the city where more than 2 million Muslims physically and spiritually perform their prayers towards Makkah. The second sacred city is Al- Medina that embraces the Mosque and grave of Prophet Muhammed peace be upon him (PBUH). The constitution is based on Sharia'ah rules from two main sources: The Almighty God's Book (The Holy Qur'an) and the Traditions (Sunna) of the Prophet (PBUH). Arabic language is the first language of the Kingdom.

2.7.2 The Legislative Structure of Saudi Arabia

Al Ahmary (2018) explains that to perceive the intended meaning of corporate governance in Saudi Arabia, one needs to understand the legal system and its implied framework. As mentioned previously, Saudi Arabia is an Islamic country that derives its legal system from the two main sources of Sharia. Sharia, that organize all life and business affairs, comes from five main sources: The Quran, the Sunnah, ijma', qiyas and al-masalih al-mursalah. The Quran and Sunnah represent the divine rulings; hence they are the principal references for the other three main sources.

Alanzi (2020) documented that in 1927, the Saudi government announced that all Sharia Courts are required to comply with the principles of Sharia without being bound to a specific school of Islamic jurisprudence and should utilize the legal principles of all schools (mada`hib), without preferential treatment to any single one. Furthermore, it is definitively understood that all courts would operate in compliance with mandated sources for judgments within the Kingdom, those being in Holy Qur`an, Sunna of Prophet "PBUH" and laws enacted by the state.

2.7.3 Basic Law of Governance

The fundamental source of law in Saudi Arabia is Islamic Religious Law (*Shari'ah*). Several other sources of law elaborate on the *Shari'ah*, and are issued through Royal Decrees (Report on the Observance of Standards and Codes (ROSC, 2009). Alanzi (2020) reported that the Basic Law of Governance states that “the religion is Islam and its constitution should be the Book of God and the *Sunna* (Traditions) of His Messenger (PBUH). Moreover, the courts should apply to cases only the provisions of Islamic Sharia, as indicated by the *Qur’an* and the *Sunna*, and whatever laws are not in conflict with the Qur’an and the Sunna, which the authorities may promulgate”. The Basic Law is more careful when integrating the primary Islamic legal sources (the *Qur'an* and *Sunnah*) with the local legislations issued by the Saudi authorities. It emphasizes the principle that local legislations should not contradict with *Sharia*.

Ansari (2008) documented that the Basic Law of Governance asserts that Islamic *Sharia* is the basis of ruling, noting that the government acquires its power from the *Qur’an* and *Sunnah*, and that these two sources control all managerial organization of the state. He confirms that the function and goal of the state is to safeguard the principles of Islam and implement its *Sharia*. Al Ahmary (2018) wrote that, according to the Law of Governance, introduced in 1992, the King with the official title of the ‘Custodian of the Two Holy Mosques, occupies the highest position in the political framework. Under him there are three authorized bodies to start and validate rules: The Cabinet, the Consultative Council and Individual ministers.

Alkahtani (2013) noted that the government possesses all the natural resources, negotiates the state’s public financial reports, and the oversight governmental bodies, whether financial or managerial, are in the Basic Law of Governance. This law proposes that the government be managed in accordance with justice, consultation and fairness among the natives. In addition, the Basic Law of Governance states that “the government must safeguard human rights, civil liberties and independence, so no native or resident should be detained, seized or imprisoned without any legal justification”.

2.7.3.1 *Authorities of the State*

The Basic Law provides detailed definitions of each state authority, including: the judicial authority, the executive authority and the legislative authority. It also addresses their interrelationships. However, there is no separation between authorities, especially between the legislative and the executive. These Authorities will cooperate in the performance of their functions, according to this Law or other laws. The King is the ultimate arbiter for these Authorities (Royal Embassy of Saudi Arabia, 2015). Despite that the power of the King stays undebatable, it is inherited and there exist three distinguishable branches of government authorities in Saudi Arabia: legislative, executive, and judicial (Saint Leo University, 2020).

2.7.4 Saudi Company Law

Alghamdi (2012); and Hill et al (2015) indicated that there are different laws and government institutions that organize companies' activities in Saudi Arabia. The first law, which is based on British Companies Act, was named and released for the first time in 1965 in order to regulate Companies' operations in Saudi Arabia. Al Faryan (2020) stated that the Company Law (1965), is considered as one of the most significant regulations in Saudi Arabia, since it is the first law to organize and control Saudi Arabian corporations. This law, also, was released by a royal decree and hence It is applicable to all companies. Similarly, Al Ahmary (2018) reported that official regulations of companies' activities were started in Saudi Arabia in 1965 with the establishment of the first Companies Law, known as "Saudi Companies Act" and that was significantly altered in 1982 and 1985. Al-Ghamdi and Al-Angari (2005) say that this law has become out of date and does not meet modern requirements. In addition to the Companies Law, the company's structure plays a major role in changing the legal and regulatory systems for Saudi companies, so the company's structure must be consistent with this law. Companies should also prepare a set of regulations at the establishment stage, and this is represented in the selection of members of the board of directors and the termination of their membership in addition to the list of shareholders' rights.

Al Mulhim (2014) and Alshehri (2012) noted that the principal role of the "Saudi Companies Act" 1965 is to organize the different types of trading companies, such as publicly trading corporations, limited liability corporations, liability companies, partnership and foreign companies as well. Al Ahmary (2018) documented that the Ministry of Commerce has exerted considerable endeavours to release the updated law with enhanced advantages for Saudi Arabia to accommodate the conventional amendments on the corporate sector. Alkahtani (2010) explained that the new Companies' Law was effective on May 2, 2016 and has provided several important amendments that have been considered as a pave way to carry out the required reforms on corporate sector in Saudi Arabia. However, while this newly updated Law is the first effort to address issues related to corporate governance, the governance codes will bridge the gap in case the law proved obscure.

According to Naif and Ali (2019), the second law is known as the "Capital Market Law" 2003 that was resulted in founding the Capital Market Authority (CMA). CMA has started informally in in Saudi Arabia in the middle of 19th century and before it was acknowledged by the Government. The CMA is an independent public institution with complete legal, managerial and financial discretion that subordinates directly to the Prime Minister. Meteb (2015) argued that the primary purpose of the CMA is to organize and institute the "Saudi Arabian Capital Market" and setting regulations, rules and directions that pertained to the Saudi Stock Exchange. Naif and Ali (2019) reported that the Cabinet, in 2007, called for the establishment of Saudi Stock Exchange (Tadawul) as a shareholding company to be in charge of the daily activities of the *Tadawul*. In their opinion, the Saudi Stock Market is one of the biggest, has the supreme capital turnovers and the most viable market in MENA.

2.7.5 Saudi Corporate Governance Framework

Al Ahmary (2018) stated that before 1980s, the capital market in Saudi Arabia was not formally functioning and well-instituted. The operations in the stock market were limited and the regulations were ineffective. Thus, potential investors were not sufficiently protected and not well encouraged to invest their wealth.

In 1930s, the Saudi stock exchange initiate simple operations with the foundation of the Arabian Automobiles Company, country's first joint stock company. In 1970s the number of public corporations can hardly reach twenty. After the oil discovery, the economy was expanded rapidly and many public corporations and financial institutions entered the Saudi Stock Market. However, until 1985, while the stock market continued to be informal, the Saudi Central Bank or Saudi Arabian Monetary Agency (SAMA) was directed to develop the stock market. SAMA was accountable to organize and oversee stock market trading during the period from 1985 to 2003 before the Capital Market Authority (CMA) hold the responsibility (Samba Financial Group, 2009).

2.7.5.1 *Development of Corporate Governance Regulatory Framework*

The most probable reason for the development of the Saudi corporate governance framework has been the serious need to modernise and develop the statute of the Saudi economy and capital market as well as improving accountability of Saudi listed corporation board members and executives. Since 2000, Saudi policy-makers have enacted many essential legal economic and capital market presentations, which were expected to enhance Saudi Arabia's economic reputation so that the country would be able to maintain its economic position and characteristics throughout the world (Alkahtani, 2013).

Naif and Ali (2019) documented that there are many laws and regulations that enhanced the evolution of corporate governance in Saudi Arabia. They added that there are two stages covering the development of corporate governance. Stage one started in 1985 with the decision of the Ministry of Commerce and Industry in 1985 to enforce the standards of transparency and disclosure. This resulted in the acknowledgement of corporate governance. It is worthy to mention that transparency and disclosure are considered most critical components of corporate governance best practices. Another development during the first stage, is the creation of the Supreme Economic Council in 1999.

Al Kahtani (2013) argued that the formation of Supreme Economic Council was one of the initial events in the development of corporate governance by the Saudi executive authority. Later on, the "Saudi Arabian General Investment Authority" was established to enhance investments, in addition to the legislation of the “Saudi Arabian Foreign Investment Law” in 2000 to smooth the way for developing corporate governance in Saudi Arabia. In stage two, the “Capital Market Law” of 2003 was established and CMA board issued regulations. Meteb (2015) stated that the board has released the corporate governance regulations. In 2006, the corporate governance regulations were aligned with the international standards on transparency, disclosure and stockholders’ rights.

Alkahtani (2013) wrote that there are four events that have been carried out with the intention to evaluate the commercial and economic regulations related to economic and equity market transactions. The first, is the establishment of the “Supreme Economic Council” in 1999 as a step to implement primary economic progress in all recent developments within the country (The Supreme Economic Council Law, 1999). The Second, represents the formation of the “General Investment Authority” that intended to enhance Saudi Arabia’s investment programs. The “General Investment Authority” established a significant goal to cut out the critical situations that had been transferred to local and foreign shareholders regarding the initiation or operating creating or a business. The Third, is the releasing of the “Foreign Investment Law” that was issued in 2000 to regulate the needs for investing in Saudi Arabia and to settle the conflicts in the foreign investment setting (Saudi Arabian General Investment Authority Law, 2000). The fourth, is the approval of the “Capital Market Law” that was released in 2003 and composed of sixty-seven items. Based on this law, the “Capital Market Authority” has power over listed companies and the stock market as well.

2.7.5.1.1 Capital Market Authority

The “Capital Market Law” established the CMA, a governmental body in the Saudi Arabia that report directly to the President of the Council of Ministers. The CMA shall have a legal identity and financially and administratively independent. It shall be granted all the necessary authorities to discharge its responsibilities and operations under this Law. The CMA shall be provided with exemptions and means existing in public listed corporations. Its employees shall follow discipline of the Labor Law. The CMA shall not have the privilege to deal in any trading activities, to engage in any profitable projects, to borrow or lend any type of funds, or to attain, buy or sell any stock or security (CMA, 2015).

The CMA shall undertake the following tasks: 1) Regulating the capital market, improving its performance, and promoting appropriate standards and methods for all departments and entities involved in securities trading. 2) Protecting investors and the public from unfair and improper practices that result from fraud, deception, manipulation and insider information circulation. 3) Maintaining fairness, efficiency, transparency and disclosure in securities transactions. 4) Establishing appropriate procedures to reduce risks related to securities transactions. 5) Develop, organize and monitor the issuance of securities and transactions in circulation. 6) Regulating and monitoring the activities of the entities operating under the supervision of the Capital Markets Authority. 7) Regulate and monitor full disclosure of information related to securities and issuers. The CMA is controlled by a board of five (5) full-time commissioned members who are appointed by a royal decree (CMA, 2015).

The Saudi Capital Market Law has set up the "Saudi Stock Exchange" as a joint stock company operating to be the only entity authorized to trade securities in Saudi Arabia. Currently, the operations of stock exchange are implemented through the Saudi Stock Exchange (*Tadawul*). The objective is to achieve sustainable progress in an integrated market that provides diversified financial services with global measures. In line with its role of producing high quality and efficient stock market products and services, the stock exchange serves as an added value to all beneficiaries and market participants (CMA, 2015).

Al-Ahmari (2018) informed that the nature of the judicial and managerial organizations that exercise power over the board obviously influence the performance of the board and the level of its relations with the rest of the membership, including shareholders, stakeholders, and the overall corporation. The CMA is the only power delegated to organize the market and control the behaviour of all public listed corporations. In other words, companies listed in the Kingdom of Saudi Arabia are subject to the judiciary of the "Capital Market Authority".

Regulatory and controlling authorities in Saudi Arabia imposed to some critique. On the observance of standards and codes relating to corporate governance practices in Saudi Arabia by the "World Bank", the CMA confronts many difficulties and debate (Corporate Governance Country Assessment, 2009). Al Ahmary (2018) observed that this include non-existence of managerial autonomy among the regulatory authorities, needless political intervening and an insignificant market where corporate regulation and legislation is poorly practiced and enforced.

Al-Matary (2012) reported that the deficiency of the current government is that the CMA subordinates immediately to the Council of Ministers. It behaves like a government institution that straight employs its board members. Its autonomy is thus constrained by unnecessary government involvement that balance its potential to control and organize corporate practices. Parasie (2016); and Lipton (1992) indicated that the governmental effect is explained by the truth that expatriates were not allowed to invest directly in the Saudi Stock Market up to 2015 and no non-Saudi corporations were yet to be listed. Comparatively, there is no direct government involvement in the securities markets of Western countries such as the USA and the UK**.** Al Ahmary (2018) opine that the concerned issue is that the CMA is not administratively independent from the government, taking into consideration the probability of political intervention and adversely affecting its operations. This inefficiency partially affects its operations due to the lack of technical knowledge by the politicians required to oversee the complicated nature of today's financial market.

2.7.5.2 Saudi Regulations on Corporate Governance

Naif and Ali (2019) explained that there were no well-known regulations until the establishment of CMA in 2003. In 2006, after a strong hit blew the Saudi stock market, this necessitates CMA to produce and approve new regulations for corporate governance to protect shareholders and other stakeholders. Alshehri (2012), Hill et al. (2015) and Meteb (2015) indicated that the SRCG 2006 was sharply affected by the principles of "Organization for Economic Co-operation and Development" (OECD), version 2004. The SRCG 2006 applied a "comply or explain" policy which requires corporations to reveal in the board's report provisions that have been executed and those that are not executed, and to justify for noncompliance.

Hill et al. (2015) indicated that for globalizing a country's business operations and enhancing economic development, foreign investors must be allowed so as to accomplish the above targets. Therefore, with the issuance of SRCG 2006, foreigners in Saudi were allowed to invest in Saudi Investment funds. The recently issued SRCG 2017 provides better rights to shareholders and board members towards their respective duties and responsibilities. One of the purposes is to attract foreign investments in Saudi Arabia and to supplement the CMA's own rules with those of the recently reviewed Companies Law 2016. By improving the regulatory oversight of listed companies, the CMA strive to carry its standards in line with those of other prominent universal exchanges. The following subtitles focus on the features of SRCG 2017.

2.7.5.2.1 Board of Directors

According to Naif and Ali (2019), Articles 16 to 41 of the SRCG 2017 composed of specific regulations and principles governing the board that include the Chairman, Independent Board Members and the Secretary of the Board as well as appointment, board formation, terms of membership, responsibilities, termination, distribution of competencies and duties, auditing, meeting procedures and training among others. Besides, the SRCG 2017 advocates that the fiduciary duties should be based on the principles of openness, uprightness and devotion. Before the issuance of SRCG 2017, the corporation is not asked to tell the authority about the names of the board members and the explanation of their membership within 5 business days from the commencement of the board's term.

However, with the enforcement of SRCG 2017, a corporation is asked to inform the Authority about the members' names of the board in addition to their membership details within five working days from the date of the Board's beginning period or from the date of their employment in addition to any following alterations might occur (Article 17(d) SRCG 2017). Another progress that was added to SRCG 2017 is that, it requires specific terms from the Board's members that is not clearly mentioned in SRCG 2006 or 2009. Article 18 of the SRCG 2017 requires a member of the board to be professionally expert and has sufficient knowledge, experience, autonomy and skills that will enable him to achieve his duties effectively.

SRCG 2017 provides that a board member should have the capacity to direct and lead, should be qualified, owns sufficient financial background and must be physically healthy to be responsible for the assigned duties (Article 18(1-5) of the SRCG 2017). Moreover, the SRCG 2017 has a devoted Article on the issues influencing the Board's autonomy which is not required under the last SRCG. The SRCG presents cases under Article 20(c), (1-10) where the autonomy of the board will be required beside some provisions on the independence of the board included in the last SRCG.

The board under Article 20 is asked to annually evaluate the extent to which the member is independent and to be assured that there are no situations where his independence might be affected. To be more assured about the board's independence, Article 28 of the SRCG 2017 prevents the employment of an individual as a "Chief Executive Officer" during the first year next to the termination of his position as the "Chairman of the Board". Article 16 of the SRCG 2017 requires that most of the members shall be "Non-Executive Directors" Independent Directors shall be at least two members or one-third of the whole board, whichever is greater. It is not allowed to occupy the Chairman position and any other executive position in the corporation at the same time.

2.7.5.2.2 Rights of Shareholders

According to Al Faryan (2020), In Saudi Arabia, the Companies Law defines and protects the rights of shareholders in their shares. Specifically, the law gives shareholders who own 20 or more shares the right to attend the company's annual general meeting (AGM). Shareholders have the right to discuss and vote on the company's problems and decisions, view the company's archives, and dispose of their shares freely. Article 109 of the Companies Law in Saudi Arabia also specifies that shareholders who own 5% or more of the company's shares have the right to claim the corporate settlement authority to monitor and scrutinize the company if they have any doubts about the behavior of the board of directors or the behavior of external auditors. Because the law protects the interests of shareholders, it gives them the right to claim their dividends according to their shares, in addition to the profits remaining upon dissolution of the company.

Naif and Ali (2019) observed that before SRCG 2017 became effective, there were no clear provisions on shareholders' rights, in concern with the right to have equal treatment; rights pertained to shares; and right to have effective communication with shareholders. SRCG 2017 has expansive provisions on Shareholder's rights as an alteration of the current rights under the last SRCGs. These rights among others include: equal and fair treatment among shareholders (Article 4 of the SRCG); right against discrimination among shareholders of the same class (Article 5 of the SRCG); equal distributions, fair rights associated with accessing corporate information and communications (Articles 6 & 7 of the SRCG); rights to attend and vote in General Assemblies and the selections of Audit members (Articles 8-15 of the SRCG). Article 9 of the SRCG 2017 requires an obvious technique for the division of dividends and pay outs at bankruptcy.

2.7.5.2.3 General Disclosure and Transparency

According to Article 89 of the SRCG 2017, a corporation to provide the existing accurate information to the corporations' various stakeholders as authorized by the "Companies Law" and the "Capital Market Law". The board should maintain rules on information disclosure, and provide a consistent Board report along with that of the audit committee's report and continuously maintain information on the company's website (Article 90 of the SRCG 2017). Article 90(8) of the SRCG 2017 states that the "remuneration of the Board members and Executive Management" should be disclosed according to the regulations' standard template. The records of the corporation such as minutes, reports, and other documents should be maintained for at least ten years, or longer particularly when there is an unresolved case in court (Article 96 of the SRCG 2017). Concerning the notice of the meeting of the "General Assembly", Article 13(d) of the SRCG 2017 shows that the location, date, time and agenda of the mentioned meeting shall be announced at least 10 days before the date of the meeting.

Naif and Ali (2019) reported that the meeting invitation shall be announced on the Company's website and in a daily newspaper that to be distributed around the location of the head office. Article 13(d) of the SRCG states further that the Corporation may call for the "General and Special Shareholders' Assemblies" to get together by means of modern technologies.

2.7.5.3 Factors Shaping the Quality of Saudi Corporate Governance

The quality of corporate governance practices in any capital market is affected by the outside factors and it has a key role in enhancing governance rules and regulations in that particular market. Here, we discuss two factors: the first is the existence of market of corporate control, the second is the existence of active and independent financial media.

Hagshah (2022) asserted that a market of corporate control is a place where control rights are guaranteed through proxy fights, acquisitions and mergers. This type of control has the ability to minimize the agency cost associated with the separation of power between shareholders and company controllers such as CEO and board chairman. Kini, Kracaw and Mian (2004) noted that control rights can be made secured in different ways such as the external pressure when acquiring a badly managed company and carrying out the needed changes including governance improvement.

However, they added that the impact of corporate control in a given market depends greatly on other activities such as the level of mergers and acquisitions. If the activity level is low, the effect of the corporate control also low. In Saudi Arabia, since the official development of the Saudi capital market in 1985, mergers and acquisitions activity has been very limited. Yet, the recently issued regulatory framework has played a key role in increasing the level of this activity (Hagshah, 2022).

The quality of corporate governance practices is, also, influenced by the existence of independent financial media. Berglof and Claessens (2006) opine that the financial media is appropriate when it impacts positively the company's compliance levels with governance regulations and rules. Zayani (2012) believes that, in Saudi Arabia, while there are many financial media entities that include finance and economic issues to oversight and analyse capital market performance, it should be noted that most, if not all, media outlets focus on traditional technical analysis of the performance of SJLCs and cover the announcements of those companies and shareholders' meetings. This is to say that, the Saudi financial media avoids to enter in any inquiries about the environment where SJLCs operate.

2.8 CHARACTERISTICS OF GOOD CORPORATE GOVERNANCE PRACTICES

This section reviews the previous literature conducted to examine or investigate the characteristics of effective corporate governance in Saudi listed company's corporations. The methodological issues will be discussed when conflicting results are found. Thus, the purpose of this review is to identify the literature gap and to provide ways to bridge it.

Suleiman (2018) addresses in a conference paper that good governance is a concept that has recently come into regular use in political science and public administration. Within the public management discipline, good governance has been regarded as new paradigm in Public Administration, which emphasizes the new type of approach of public officers in providing high quality services to citizens. In defining good governance, the World Bank declared that there are 8 key features of good governance. It includes involvement, conceptualization, accountability, transparency, responsiveness, effectiveness and efficiency, fairness and inclusiveness and follows the rule and regulations. These elements assure minimum corruption, minorities views are considered and the individuals' voices with weakest positions are participated in decision-making (Drishti, 2020). Good corporate governance could be enhanced in an ecosystem where divergent views are expressed, where democracy prevails, code of conduct are designed, communicated, implemented and monitored effectively, integrity, equity, and fairness exist and is reinforced from time to time (Legal Holic, 2018).

Shawatri, Salim, Hussain and Alaedddin (2016) asserted that one of the most challenging issues for the corporations' management is to optimize shareholders' value via improving corporate performance. However, under the agency theory managers might fail to achieve this corporate goal as they wish. Thus, a common belief in business context, good corporate governance practices would support the performance and acts as a test and balance on the managers' behaviour whether they optimize shareholders' goals of value creation or not. Sliva, Bonfim, Noriller and Berner (2017) documented that adopting good corporate governance mechanisms tends to lessen information asymmetry between shareholders and executives, reducing the control rights which they, together with creditors, assign to managers, enabling the increase in the likelihood of invested projects by executives that maximize shareholders' wealth. Companies with an inconsiderable corporate governance are more likely to control results in order to meet or surpass analysts' forecasts. In the absence of any effects of corporate governance, profitability is expected to decline.

De Villiers and Dimes (2020) indicated that as corporate governance is so imperative to an organisation's effective performance, one of the main critical issues in this field is to find out relevant instruments to measure the strength of corporate governance mechanisms. They highlighted that corporate governance attributes such as board formation and rate of meeting held are often used as key factors for corporate governance quality, so far there are also unofficial attributes such as organisational and cultural managerial thoughts that are probably to be highly inspiring.

Vitolla, Raimo and Rubino (2020) provided that in the latest years, the analytical effort of corporate governance attributes is becoming a core component to perceive the intended meaning of corporate viability and acts as an obvious point of shareholder trust in the actions and decision-making process implemented by the executives and board of public-traded corporations. The Institute of Directors of South Africa (IODSA) reported that the board and its professional committees not only provide a monitoring and consulting role on corporate strategic planning, performance appraisal and risk management, but can also develop effective communication system and different kind of organisations' resources (IODSA, 2016).

Since the early 1990s, the number of codes of good corporate governance has greatly increased to the extent that it becomes a significant measure for appraising the quality of company's' transparency and business compliance practices. De Villiers and Dimes (2020) pointed out that much of the conducted literature examine corporate governance characteristics and their influence on good corporate governance outcomes. However, most of the studies investigate formal corporate governance mechanisms while disregard the informal ones such as organisational culture, which is expected to have great influence, especially in small scale business entities.

In the next part, the researcher focuses mainly on corporate governance characteristics in varieties of contexts found in the literature.

2.8.1 Board Independence

According to agency theory, the Independence of the board is an inevitable factor for effective functioning of the board. AlHares, Dominic and Al Abed (2019) wrote that the external members of the board of directors, who are independent of executive management, are referred to as non-executive directors (NEDs). The new enterprise theory states, from the principle of efficiency, that boards of directors with more NEDs appear to be more effective from the standpoint of protecting the interests of shareholders and the reason is that they do not have any special ties to the company or management. The external directors also provide a lot of specialized expertise and competencies in the fields of technology, law and capital markets. The new corporate theory sees it from a legitimate perspective, increasing the representation of independent non-executive directors over external stakeholders, reducing legality concerns based on separation of ownership and control, and encouraging more voluntary disclosure.

According to De Villiers and Dimes (2020) the independence of the board can be assessed by the number of nonexecutive board members, as they will be able to mitigate the dominance of the executive directors in the decision-making process.

The absence of CEO duality is also an assessment of the independence of the board members, although results regarding its effectiveness are confusing. In both measures of independence, the agency theory suppose that these mechanisms mean that executives won't be eligible to control decision-making process, that should enhance the flow of information to stakeholders.

Al-Janadi, Abdul Rahman and Omer (2013) reported that the agency problem appeared mainly from the conflict of interests between shareholders and managers where managers have the inclination to maximize their own interests at the expense of shareholders' wealth. These managers' trend has encouraged shareholders to looking forward to appoint the board of directors to oversee and control the decisions made by management. In order for board members to be more effective and behave in the shareholders' interests, there should be a higher proportion of non-executive directors on the board.

Ponnu (2008) and Aggarwal (2013) agreed that the main role of independent directors is to effectively monitor firm activities particularly the opportunistic behavior of managers and their misuse of firm resources. The main challenge faced by independent directors is how to fulfill their task given that they have no direct influence on the managerial activities. To ensure stakeholders' interests they also claimed that the major influence of independent directors appears in their ability to advise and to prove that the company is operating properly instead of their ability to oversee.

In the articles reviewed, "board independence" is generally measured as the percentage of independent non-executive directors on the board. The effectiveness of the board of directors as an oversight role has been shown to be stronger when the number of independent members of the board is greater. This will improve the objectivity of the board of directors and the extent to which it affects the representation of different viewpoints. Increased independence can also have a negative impact on environmental performance due to a lack of sufficient knowledge and expertise provided by insiders. This impact can be addressed by adding an environmental committee to the board that provides expertise and focus on environmental issues. The independence of the board of directors has a positive effect on the technical efficiency of the company, which is measured by its ability to convert inputs such as labour, capital and technology into increased selling output. However, in the public sector, more independent board members are associated with lower management efficiency as decision-making slackens as the board gets larger (Deloitte, 2016).

Haidar (2019) pointed out that the board structure involves some conflicting issues. From one side, it is illogical that executive directors oversee themselves and from the other side, there are three logical points why nonexecutive directors may practice passive monitoring: 1) they do not seek financial benefit, thus enhancing the performance would be useless for them; 2) non-executive directors may occupy more than one position as board members with other corporations and this won't allow them to care much about the company important concerns. 3) non-executive directors tend to give up their power to the top management in order to maintain their positions on the board to keep up their remunerations and rewards and that is why they avoid to work against management. The Cadbury Committee recommended a proposal for altering the structure of the board. This proposal includes: 1) The Chairman is required to be independent and this is attained through a formal election process, 2) The majority of audit and remuneration committees' members should be from non-executive directors.

Reguera-Alvarado and Bravo (2017) reported that the function of the board of directors is to provide independent and effective control of executives. The effectiveness of this control depends to great extent on the percentage of independent board members on the board. Kim, Nofsinger, and Mohr (2010) recommended that when the board is formed mainly from independent directors; i.e. nonaffiliated outsiders then it is expected to be more effective and objective in evaluating the management team. Wu (2009) denoted that although board insiders are more knowledgeable about company information and operation to undertake sound and reliable decisions, the majority of independent outsiders in the board is an indicator of effective and advantageous board.

Petra (2005) and Panasian (2003) argue that independent board of directors tend to improve board effectiveness and hence enhancing company performance. It is documented by Hermalin and Weisbach (2003) that boards of directors represent the core internal mechanism of corporate governance that oversee management behavior to ensure that they are safeguarding shareholders' equity. In terms of firm's risk management policy, Kirkpatrick (2009) argue that boards in general show weak performance in monitoring risk – taking behavior. Thus, such corporate boards are expected to negatively affect firm performance. Gouiaa (2018) noted that greater domination of independent board members on the board reinforces control and permits the directors to carry out its strategic roles more effectively. With monitoring and supervision activities, independent directors can minimize excessive risk accepted by executives in strategic and operational decisions. These evidences drive us to anticipate an adverse relationship between the number of independent directors on the board and the too much risk accepted by executives.

According to Kyere and Ausloos (2020) in comparison, the stewardship theory explains that inside directors have considerable knowledge about the company which makes them well informed about the valuable resources that expected to positively enhance company performance. Other scholars argue in support of stewardship theory that, inside directors are trustworthy stewards of firms' resources and improve company performance because of information asymmetry.

We can conclude that the independence of most directors, whether independent or affiliated, is still a controversial issue and the ongoing research can hardly identify the relation between board independence and company performance.

2.8.2 Board Size

According to Gouiaa (2018), the number of board members has a significant effect in the ability of directors to oversee executives and monitor the accounting and financial functions. There's a positive relation between the effectiveness of the directors' control and the board's size due to the possibility of dividing the work burden among larger number of supervisors. Moreover, sizeable boards permit more effective monitoring by providing a lot of experiences. If sizeable boards are more dynamic supervisors of the accounting and financial functions, information beneficiaries should benefit through more effective risk management.

AlHares, Dominic and Al Abed (2019) declared that from the efficiency point of view, neo-institutional theory holds that sizeable boards are more effective in overseeing executives and enhancing shareholders' interests, as large boards are less probably to be affected by a strong CEO compared to limited size boards. Boards also lessen information inconsistency between executives and various stakeholders regarding the quality of financial reporting. Correia et al. (2011) pointed out that, if the board size is too small, the overseeing of the executive's team is low. Therefore, managers tend to have freehand in receiving high earnings and use any opportunity to realize their own interests. Consequently, larger board can result in a good overseeing of the management team and this in return enhances the quality of corporate decisions.

Cooray and Senaratne (2020) emphasized that the size of a board can be an indicator of sound management and experience, that should enhance the quality of information disclosure, and several scholars back this opinion. Board size doesn't merely require broad experience for monitoring management, it also asserts that corporations can have the capacity to benefit from the communications of directors. Kyere and Ausloos (2020) noted that corporations that have a sizeable board are likely to have effective control that can enhance corporation performance.

Al-Janadi, Abdul Rahman and Omer (2013) reported that there are different opinions and evidences on the board size aspect. There is an evidence support the view of enlarging board size. The theory of Resource Dependency explains that large board size is more knowledgeable and able to oversee the capital resource of the corporation. Another opinion views that a small board size guarantee quality of monitoring because it minimizes the possibility of disputes among board members. They added that large board size doesn't operate properly because it is difficult to control by senior managers and in this way board members may lose their influence to review top management policies, plans or even evaluate their performance. Akshita and Sharma (2015) indicated that a board with fewer members encouraging more performance has been provided by scholars declaring that restricting board size rather enhances effective communication and reinforce decision-making process.

2.8.3 Separation of Position

Ntim et al. (2013) believed that role duality occurs when the Chief Executive Officer (CEO) is at the same time the Chairperson. The Chairperson is accountable for controlling and managing the board (control function), while CEO is accountable for the daily management of the corporation. The CEO exercises an important role in the strategic path and improvement of the company's performance. Based on their discretionary powers, the CEO can have a positive impact on the financial performance of the company, also through the consultancy he receives through the individual external network. Dual CEO means taking over the positions of the CEO and the chairman of the board of directors at the same time, which makes the CEO enjoy a powerful position.

This dual structure also provides a single focal point, consistent stability, and better communication between executives and directors. This structure is widely applied in companies with a higher proportion of insiders on the board, where the CEO has significant formal authority and monitors the agenda. These powerful CEOs are expected to bring positive changes to the company's performance. However, it is worth noting that a strong CEO may make riskier decisions. The duality of the CEO also led to a defect in the oversight function of the Board of Directors, as a result of the CEO's control over the meeting. In sum, duality of the CEO may result in both positive and negative effects on the company's financial performance (Deliotte, 2016).

In fact, the duality can adversely affect the board's monitoring role, and consequently it will reduce the possibility to uncover management inefficiency and malpractices. This duality, that might weaken the likelihood of preventing corrupted practices, can therefore, entail corporate crisis and unfavourable accidents (Krause et al., 2014). Al-Janadi, Abdul Rahman and Omer (2013) opined separation of the Chairman and CEO position can have a positive impact on board independent leadership and enhance quality of protecting shareholders’ interests. According to agency theory, an independent Chairman can manage and oversee the tasks and actions of the top managers and particularly the CEO.

The previously conducted literature showed a direct relation between the separation of the CEO and the Chairman positions. According to the evidence by an agency theory an independent Chairman represents the strongest power in the board in effectively monitoring and demanding sufficient disclosure information. Habbash and

Hussainey (2019) noted that segregating the two roles might support board accountability and independence and could positively affect the disclosure quality.

According to this evidence, it is expected that boards that select a framework that segregate the functions of CEO and Chairman of the board will delegate risk management more effectively and, therefore, will be less probably to engage in unnecessary risk-taking. Kyere and Ausloos (2020) stated that the main concern for CEO duality is that the managerial dominance of the board can lead to questionable control over the meeting agenda. Thus, in companies that lack strong oversight of the corporate governance mechanism, they can pursue their own self-interests.

2.8.4 Audit Committee Independence

Board committees are mechanisms delegated by boards of directors, the aim of which is to contribute to the effective implementation of the duties of the board of directors through the use of small independent entities that focus mainly in decision-making (IODSA, 2016). Habbash and Hussainey (2019) noted that an audit committee is one of the basic pillars of any governance system associated with the board of directors. This committee holds an effective monitoring and oversight function, and can assure the integrity of financial reporting.

De Villiers and Dimes (2020) documented that an audit committee occupies an effective function in enhancing corporate disclosures through their concentration on internal controls and high-quality reporting procedures. However, Carrott (2016) Endrikat et al. (2020) noted that the existence of an audit committee does not necessarily indicate that it operates effectively and it may hold an indirect instead of a direct function with respect of corporate disclosures, also this emphasizes the need not to deal with accidental effects in isolation.

Al-Janadi, Abdul Rahman and Omer (2013) declared that audit committee has a major role in guaranteeing good quality of financial reporting, evaluating internal control mechanisms and overseeing the relationship between external auditor and top management as well. This role enables the users of such financial reports to take reliable decisions. The Audit committees' major characteristic is that most of their members should be independent. They emphasize that worldwide corporate governance codes and regulations, such as Cadbury 1992, the Sarbanes Oxley Act 2002 and even Saudi

Corporate Governance Code 2006, require audit committees to compose a majority of independent members.

Gouiaa (2018) indicated that the audit/risk management committee has a distinct function, operate independently of the executive committee to ensure that shareholders' interests and other stakeholders are protected by ensuring effective risk control and compliant and transparent financial reporting. This type of governance requests important functions of audit committees that are accountable for risk control, or an independent risk management committee, with responsibilities identified as monitoring, identification, appraisal, review and monitoring of risks to which the company may be exposed. Thus, boards of directors that have a risk management committee, or an audit committee recognized as the holder of risk controlling position, are expected to be the most effective with regard to controlling risks.

Habbash and Hussainey (2019) concluded that efficient audit committees, at minimum, composed of three completely independent members, one of them is an expert and that they hold at least three meetings per annum and will enhance the disclosure and in particular, risk disclosure. The formation process of an audit committee should at least include the following: 1) an audit committee shall be formed by a resolution of the Company's Ordinary General Assembly, and the members of the audit committee shall be from the shareholders or others, provided that at least one of its members is an Independent Director and that no Executive Director is among its members; 2) the chairman of the audit committee shall be an Independent Director; 3) anyone who has or had a job in the finance Department, an Executive Managerial position or worked as an external auditor during the preceding two years may lose the right to be one of the audit committee members (CMA, 2017).

2.8.5 Board Expertise Diversity

Experienced board members are critical to good corporate governance. Reguera-Alvarado and Bravo (2017) asserted that governors with long-term position on directors' board accumulate greater experience and expertise. A long-term delegation leads to an increase in the quality and efficiency of the board of directors in the performance of its duties, as the duration of the delegation is very much related to the level of experience, extent of commitment and knowledge of the corporation and its business context.

Garcia and Palacio (2018) narrated that following the financial crisis, an important question was asked, to what extent the shortage of qualified, skilled, and professional directors was accountable for the collapse of corporate governance in many corporations. They report that a careful appraisal of skills and experience is a key element in the selection of new non-executive directors. Gouiaa (2018) argued that effective oversight is a skill that can be developed and acquired, which means that boards made up of highly experienced managers can provide outstanding oversight performance. With reference to the above, boards that choose longer board memberships will be less probably to take too much risk.

Dass et al. (2014) documented that previous literature has focused on two main functions of the board of directors: oversight and providing consultancy. Despite that most of the literature has given much emphasis on the oversight role, latest studies have focused more the counselling position of the board and evidence that directors are needed when they have the potential to provide political impact, proficiency, or effective communication. Masud, Bae, Mazanares and Kim (2019) suggested that having outside experts and specialists on the board reduces potential conflicts while allowing the company to benefit from expert consultation and proposals services, which transmit positive indicator to the marketplace. As more comprehensive and independent experts are available, the external directors can closely control the company's operations and encourage strategic decision-making for the company.

Most of the conducted literature indicated that specialized directors are often accountable for preparing, supervising and communicating strategies and policies concerned with corporate transparency and accountability, the company’s financial integrity and stability, as well as the financial incorporation of stakeholders. Vorobyeva (2014) discussed that the financial know-how of the directors can improve the performance of the company. Board members with experience in finance can contribute to projects appraisal and financial tools. Accordingly, the company that has the ability to implement projects can achieve financial benefits and profits. In addition, these directors can minimize the problem of information asymmetry and enhance the control mechanisms of the company. To a great extent, it is believed that the appointment of expert directors who are specialized in developing the company's efficiency and policies may positively affect the future and reputation of the company.

2.8.6 Audit Committee Expertise

Sliva et al. (2017) realized that the financial expertise of audit committees is more likely related to management returns, more informative good news forecasts and more positive reactions from the stock market to management forecasts. In their opinion, audit committees with financial experience are insignificantly to internal control problems. Habbash and Hussainey (2019) declared that the Saudi code emphasize mainly on the size, independence, and experience of audit committee constituents. They asserted that no significant correlation between the size of audit committee and the quality of risk Disclosure. They also argued that audit committees with a large number of professional members enhance the quality of reports.

Salawu et al. (2017) reported that audit committees are regarded as contributing to auditing process since they are established to assist in improving audit quality. Audit committee's primary duties are to oversee the financial reporting, auditing processes and monitor management tendencies to manipulate earnings and other accounting malpractices. Baatwah and Saleh (2011) declared that audit committees are the most essential in the internal monitoring system by the board of directors.

Salawu et al. (2017) added that part of the characteristics of the audit committee is to smooth the control of auditor's operations, and in order to achieve a higher quality of audit, the members should be qualified and experienced, and that the audit committee should hold its periodic meetings. Also, the experience of the audit committee is an important element to perform its functions and protect the interests of shareholders. It also requires that all members of the audit committee have sufficient knowledge and experience in order to be aware of the challenges of audit practices.

Sharma et al. (2011) noted that an audit committee with poor characteristics, such as independence and expertise, will adversely affect audit committee oversight function, and, thereby, the quality level of financial reporting. Hence, once audit committees admit the lack of expertise and power to oversee top management, they might decide to appoint an external auditor. The audit committee shall be competent in monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems.

The duties of the audit committee shall particularly include the following: **1)** audit committee members should have sufficient knowledge in financial reporting, particularly, in analysing the company's interim and annual financial reports; providing its technical opinion, at the request of the board; analysing any important issues contained in the financial reports; accurately investigating any issues raised by the company's chief financial officer or external auditor; examining the accounting estimates in respect of significant matters that are contained in the financial reports; and examining the accounting policies followed by the company and providing its opinion and recommendations to the Board thereon.

2) sufficient background on internal audit to examine and review the company's internal and financial control systems and risk management system; analyse the internal audit reports and follow up the implementation of the corrective measures in respect of the remarks made in such reports; and monitor and oversee the performance and activities of the internal auditor and internal audit department; provide a recommendation to the board on appointing the manager of the internal audit unit, or the internal auditor and suggest his/her remunerations.

3) provide recommendations to the board to nominate or dismiss external auditors, determine their remunerations, and assess their performance; verify the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities; and review the external auditor's reports and its comments on the financial statements.

4) ensure compliance with the relevant laws, regulations, policies and instructions; review the contracts and proposed related party transactions, and provide its recommendations to the board; and report to the board any issues in connection with what necessitate taking action on, and providing recommendations as to the steps that should be taken (CMA, 2017).

Raweh et al. (2021) argued that since financial expertise is related to the audit committee, researchers and academics have been stimulated to investigate audit committee’s effectiveness. Results indicate that the quality and timeliness of financial reporting is more influenced by audit committee members who are financially expert. Given the responsibility of audit committees in handling the risks of financial reports and accounting and how to deal with them, it is logical most members possess backgrounds in accounting, finance, or legal; however, it is recommended that ACs should include experts or specialists in industry to handle any complexities that might face the company.

2.8.7 Ownership Structure

Hashim and Devi (2008) differentiated between three types of ownership structures, they are managerial ownership, family ownership and institutional ownership.

2.8.7.1 Managerial Ownership

The role of independent directors seems to be significant for the enhancement of the board's controlling function. Hence, the managerial shareholding is expected to influence monitoring function of the board. Hashim and Devi (2008) argue that the role played by the external board directors is less serious for corporations with a higher rate of inside ownership. They show that the higher rate of shareholdings by inside members of the board will enhance the alignment of the interests of both management and shareholders, consequently minimizing the need for heavy control by outside directors. Peasnell, Pope, and Young (1998) stated that the need for non-executive directors is less in corporations where the percentage of executive shareholdings is relatively high as shareholders allow the executives to operate the corporations.

2.8.7.2 Family Ownership

Bartholomeusz and Tanewski (2006) indicated that family corporations show low rates of independent board members and a clear mixing of roles between CEO and Chairman in contrast with the non-family-controlled corporations in an Australian study. However, Ng (2005) explained that at a comparatively low level of family shareholdings, professional executives root their interests with the corporations since their shareholdings are not remarkable and tend to maximize their interest. Hashim and Devi (2008) concluded countries, like United States, shareholder protection has very good protection for shareholders compared to families' companies who exercise poor shareholder protection.

2.8.7.3 Institutional Ownership

Daily, Dalton, and Cannella (2003) noted that institutional shareholders' involvement has appeared as an essential power in corporate oversight function that serves as a means to safeguard the interest of minority shareholders. The significant increase in the institutional shareholders' ownership has resulted in the establishment of a big and powerful constituency that functions an important role in corporate governance. Claessens and Fan (2002) argued that participation of institutional stockholders may enhance corporate governance activities by lessening the conflicting issues between majority and minority investors in Asian corporations. Chung, Firth, and Kim, (2005) documented that having substantial shares ownership hinders the selling of shares promptly at the current price, consequently, the institutional shareholders are motivated to control corporations with high free cash flow.

Sliva et al. (2017) contend that shareholders with a great participation in the voting capital play a major role in the internal control of corporations. This is due to the effect of their participation that strengthen their position in influencing and monitoring corporation's investment strategy. In most developing economies, there is a high level of ownership concentration. A simple ownership concentration measure can be obtained by the percentage of shares held by shareholders of a group of companies. Large institutional shareholders are believed to have both the incentives and power to monitor and influence decisions and activities of the board.

It should however be noted that institutional investors vary in their investment horizon and corresponding engagement. There are traditional institutional investors investing for the longer term holding either concentrated or diversified investment portfolios and there are short term active shareholders and hedge funds (Deliotte, 2016).

2.8.8 Remuneration Committee Independence

In his article, Gordon (2021) stated that the Remuneration Committee is an attempt to appoint independent board's members who are qualified to establish the level of remuneration and make the relevant decisions about the payment rate for senior executives. He pointed out that the independent board members have the sufficient capacity to elect the members of the remuneration committee. The nature of the work of the committee requires the board to choose members who are equipped with the independence criteria. The appointed committee members need to realize that independence skills are inevitable. The board generates the job description for the committee and specifies their roles and responsibilities. Remuneration can be used to equate the interests of the shareholders with that management team.

Board compensation policy requiring directors and the CEO to own stock has a positive effect on a company's technical efficiency. Granting stock options to the CEO and management can provide useful incentives for long-term value creation. Research shows that CEO stock ownership and other performance related compensation also increase CEOs' behaviour to seek external advice that results in better financial performance.

According to CMA, 2017 the Board is responsible to establish a committee to be named the "remuneration committee." Members of the committee shall not be Executive Directors, provided that there shall be at least one Independent Director among them. b) The Company's General Assembly, recommended by the Board, issues a regulation for the remuneration committee including its procedure, duties and rules for selecting its members, the term of their membership and their remunerations (CMA, 2017). A remuneration Committee comprised of independent, outside directors with no interlocking committee memberships with committees of other companies. Its responsibility is to perform independent assessment of all compensation advisors. Members of remuneration committees who fail to take the foregoing factors into account and fail to function as an independent force within a company are not fulfilling their role in corporate governance or leadership and are at risk of being replaced or subject to legal action (Fenwick and West, n.d).

2.8.9 Nomination Committee Independence

A nomination committee is defined as elected individuals to occupy directors' positions in a company board. The nomination committee is required to evaluate and recommend the best candidates for the directors' board of a corporation. The members of a nomination committee and their number is decided by each company separately. Normally, the Board Chairman, the Board Deputy Chairman and the Chief Executive Officer (CEO) occupy positions in the nomination committee. This Committee functions a critical job in activities corporate governance (Gordon, 2021).

According to Price (2019), the nomination committee reviews and amends the policies and procedures of company’s corporate governance to provide a sound corporate governance policy that is sufficiently qualified for keeping a balance between the stakeholders’ interests for the concerned company.

2.8.10 Board Gender Diversity

Abdullah and Ismail (2016) and Wahid (2018) explained that board gender diversity is acquiring a remarkable significance among founders of policies, shareholders, regulators, scholars, corporations, and the public at wide. This trend is due to the role played by female directors on a corporation’s board that is begin slowly but progressing at an increasing rate. Based on the findings of some conducted studies, board gender diversity might enhance the reliability and transparency of financial reports. Ammer and Ahmad-Zaluki (2017) and Ginesti et al. (2018) propose that the appointment of female directors on the board supports the progress of corporate governance mechanisms that results in the improvement of corporate reporting practices.

Triki Damak (2018) and Fan et al. (2019) noted that a number of researchers proposed that women are more concerned with ethics and morals compared to males. Also, the studies found that females are more advanced in their attitude, behaviour, decision making and controlling abilities, as a result they are expected to provide cases of fraudulent reporting However, according to indecisive consequences from previous research, there is no general agreement with respects to the roles of female directors in lessening earning management.

2.8.11 Board Meetings

One of the important attributes of good governance is the board meetings. A number of scholars believed that the potency and frequency rate of board meetings is an important indicator to evaluate the effectuality of controlling function carried out by the board. Board meetings are an important characteristic of the oversight role of the board of directors as it represents meetings held to negotiate outstanding issues in the corporation and possible solutions (Al-Daoud, Saidin, and Abidin, 2016). Coles et al. (2008)

suggests that the goal of controlling role is to mitigate the agency problems and holds executives responsible for their behaviours. This can be attained through recurrent meetings and activities carried out by the board of directors to oversight and negotiate all operational matters. Oppositely, the consulting role tends to assist the executive team in long term planning decisions associating with creating the value of the corporations.

According to the law, directors may meet for the accomplishment of their business issues, postpone or organize their meetings as they see appropriate. Company secretary must, on the director's request call for a meeting. It is advisable that at least one meeting per year is held in person at the registered office of the Company. Moreover, company senior persons or any technicians may from time to time be recalled to attend the Board meetings for the purpose of providing more information on technical issues and/or negotiate any particular issues on the agenda (alterDomus, 2021).

2.8.12 Audit Committee Size

Kipkoech and Rono (2016) discuss that the larger the team size, the more the members are endangered to stress and more expected to follow others' views without justifying that with argument. Due to this, the audit committee team have no tendency to inquire about the possible errors detected in the accounting reports, this, however, can result in a greater chance of presenting in the future. On the other hand, a small team will make easy the exchange of information in the corporation and an effective communication among the members. This assists executive team to specify the possible errors in financial reporting and mitigate the occurrence of restatement of the least size requirements.

Xie et al. (2003) believes that the success of the audit committee was determined by the audit committee size. Sharma, Naiker and Lee (2009) provided an evidence that the number of audit committee members' meetings is adversely related to multiple directorships, audit committee independence and an independent audit committee chair. But they found a positive relation between the higher risk of financial inaccuracy and audit committee size, institutional and managerial shareholdings, financial expertise and board independence. Consequently, it is said that the size of the audit committee and number of meetings can potentially have a positive effect on corporation performance. Anderson, Mansi and Reeb (2004) indicated that the larger the size of the audit committees the possible it can safeguard and monitor the process of accounting and finance by providing high levels of transparency for shareholders and creditors and that can lead to greater financial impact on the financial performance of the corporation.

2.8.13 Audit Committee Meetings

Ashari and Krismiaji (2020) opine that meeting is a mechanism to negotiate and to find solutions for the complicated issues challenge and confront the companies. The higher the frequency of meeting, the greater the possibility to solve problems. the meeting frequency of audit committee is a measure of audit committee effectiveness. Therefore, Bédard and Gendron (2010) and DeZoort et al. (2002) argue that the more meetings are performed, the better indicator for audit committee member in achieving their goals. Ashari and Krismiaji (2020) state that the rate of meetings held is only efficient when the company gains revenue more than it incurs costs. Until now, the previously conducted studies did not provide the appropriate number of audit committee meetings.

An audit committee composed basically of independent board members with the responsibility for the supervision of financial reporting and auditing functions. While diligence embraces multiple components, the number of audit committee meetings per year is generally used as a widely-accepted proxy for audit committee diligence because it provides a signal regarding the efforts of an audit committee and its constituents. The number of audit committee meetings is also recommended in numerous corporate governance codes across the world, and is used by accounting firms to assess the effectiveness of audit committees.

An audit committee composed primarily of independent board members is responsible for overseeing the financial reporting and audit functions. While due diligence involves multiple elements, the size of audit committee meetings annually is generally applied as a widely accepted alternative to the audit committee's diligence as it provides an indication regarding the audit committee's endeavours and its elemental components.

2.9 CONCEPTUAL FRAMEWORK

Based on the reviewed literature, the researcher has come out with 13 corporate governance characteristics that the researcher will investigate the research subjects to identify and compare more or less of these characteristics. Accordingly, the researcher proposes a conceptual framework explained by figure 2.3 below, whereas only eight characteristics selected by the researcher from the existing literature to represent the research criteria that are expected to enhance corporate governance effectiveness.

Figure 2.3: The Conceptual Framework of Corporate Governance

2.10 RESEARCH GAP

However, the research gap of this study is detected due to the following points:

1) Corporate governance in Saudi Arabia is entering a new stage of development of the mechanisms and characteristics of governance in order to activate the oversight of companies listed by the Capital Market Authority. Thus, in the light of these challenges faced by corporate governance practices in Saudi Arabia, this study presents a new hierarchical model to enhance corporate governance practices by JSLCs in Saudi Stock Exchange (*Tadawul*). The hierarchical model will be also an addition to general literature and to the corporate governance practices worldwide.
2) The data will be collected from corporate governance experts in Saudi Arabia. Thus, this study will provide up to date opinions and ideas that are expected to enrich the corporate governance practices.

3) Although Saudi Arabia has initiated a lot of efforts to develop and improve corporate governance practices, there are moderately few studies conducted on corporate governance issue in SJLCs and most of the literature reviewed focused mainly on corporate governance performance and corporate governance regulations.
4) Despite the existence of the agency problem such that minority shareholders are not sufficiently protected and controlled by the majority family shareholders, the researcher didn't find any single study in the existing literature written on experts' perception of good corporate governance practices in Saudi Arabia, particularly within corporate sector.
5) Within the scope of the study in the Kingdom of Saudi Arabia, especially after the recent amendments of corporate governance regulations in 2017 by the CMA, the researcher found few recent studies that addressed the determinants or characteristics of effective corporate governance practices, but none of them conducted to identify the characteristics of effective corporate governance by exploring the perception of experts and no study was found that investigated the relative importance of these characteristics through the collection and analysis of quantitative data. The researcher will adopt the AHP as quantitative analytical technique that was not used in the previous studies to examine the relative importance of corporate governance characteristics at least within the context of Saudi Arabia.

2.11 CHAPTER SUMMARY

In this chapter, the researcher focuses primarily on providing general background about corporate governance definition and its development. Then elaborated in corporate governance theories and models. The global perspective on corporate governance included the regulatory framework on corporate governance and OECD principles. This chapter also discuss quite sufficiently the corporate governance framework in Saudi Arabia including basic law of governance and Capital Market Authority (CMA). The core issue of this literature includes the study variables; the corporate governance characteristics. The conceptual framework and the detected research gap from the reviewed literature comes at the end.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This study used the case study and survey research as most popular non-experimental research methods whereas both qualitative and quantitative approaches were employed. The qualitative part aimed at exploring the characteristics in the study while the quantitative approach focused on finding out the relative importance (prioritization) and correlation of these characteristics.

3.2 THE CONCEPT OF RESEARCH

Sekaran and Bougie (2011) defined research as a process needed to provide solutions to a problem by conducting comprehensive efforts in studying and analysing situational factors. Patel and Patel (2019) opine that research is a scientific and systematic search for relevant information about certain issue, i.e. It is an art of scientific investigation. Sekaran and Bougie (2011) described business research as a disciplined and organized endavours to examine certain issue available in the working environment that requires a solution.

Elaborately, business research is an organized, systematic, data-driven, critical, objective, scientific inquiry or investigation into a particular problem. Piaw (2012) argued that research is implemented to provide answers about a phenomenon that has happened or not happened. A research is implemented by adopting systematic techniques to be assured that the collected information is appropriate and is enhanced by quantitative or qualitative data.

However, research methodology is defined by Sileyew (2019) as the mechanism through which scholars intend to map out their problems, objectives, research questions and show their findings from the data collected and analyzed during the study. Patel and Patel (2019) described research methodology as the organized, theoretical analysis of the applied techniques to an area of study. It composes of theoritical analysis of the techniques and propositions related to a branch of knowledge.

3.3 RESEARCH DESIGN

According to Sileyew (2019), research design is intended to provide a relevant framework for a study. Research design process involves a very critical decision about the research approach to be chosen since it specifies how relevant the information to a study will be attained. Degu and Yigzaw (2006) defined researched design as the process that helps researchers on how to collect, analyze and interpret observations.

Piaw (2012) noted that no one research design can be conducted for all research but it can be implemented by adopting several different research design. The researcher needs to adopt the design that best fits the objectives of his research or otherwise the final findings may be invalid and unreliable and may result in adverse effects on other scholars who might refer back to his work. In fact, there are several categories of research design in the research world, the experimental or empirical research, the quasi-experimental research, and the non-experimental research that is subdivided into case study, survey research, field research, action research and historical research. For the purpose of this reseacrch, the researcher discussed in brief the experimental research and the quasi-experimental, but elaborated more on the non-experimental research, particularly the case study and survey research that represent the core designs adopted by the researcher.

3.3.1 The Experimental Research

The experimental or empirical research design is specially formed to measure the effectuality of a program or a treatment on performance. This type of design is employed when respondents are randomly assigned into equivalent groups. It is implemented to understand the relationship between through careful and accurate identification and evaluation. This empirical design is carried out by controlling an independent variable. It provides a clear evidence of the cause-effect relationship between the independent and the dependent variable, i.e. It is conducted by making changes to the independent variables and observing the effects of these changes on the dependent variable (Piaw, 2012).

3.3.2 The Quasi-Experimental Research

Unlike the experimental research, the quasi-experimental research design is usually used to evaluate the effectiveness of a program where respondents cannot be randomly assigned, meaning that both respondent groups are not equal, balanced or share similar characteristics. The matching technique will not be very effective for this design because It is impossible to assign respondents with identical characteristics or traits into two groups. However, the quasi-experimental design is relevant for certain types of research such as those with research objectives that concentrate on the respondents' natural characteristics that cannot be manipulated (Piaw, 2012).

3.3.3 The Non-Experimental Research

Unlike the experimental and quasi-experimental research design, non-experimental research design doesn't have a group of controlled respondents. In other words, this research design is conducted when the treatment cannot be carried out due to the natural existence of the independent variable. Thus the relationship between the independent and dependent variable is researched without controlling the independent variable. This research design is subdivided to several research types, include case study, survey research, field research, action research, and historical research.

3.3.3.1 Case Study

The case study design involves systematic and detailed collection of data on the action of an individual, his social environment and specific events to find out how the individual reacts and the changes in his social behaviour. Based on the main functions provided, there are three types of case studies, they are exploratory, explanatory, and descriptive case studies. Because the first stage of this research focused on conducting interviews with the shareholders to answer the first research question, the researcher depended maily on the exploratory research. Thus, in the next paragraph the researcher presented some points about exploratory research.

3.3.3.1.1 Exploratory Case Study

Degu and Yigzaw (2006) Sekaran and Bougie (2011) documented that exploratory study is a small level study of comparatively limited period of time and that's implemented when a specific problem or situation lacks sufficient and critical information. It is constantly recommendable to perform an exploratory study when a problem and its factors are not well identified and before starting a large-level descriptive or comparative study.

Sekaran and Bougie (2011) opine that exploratory study are conducted for the better understanding of the problem nature since there are very limited research carried out in that specific field. Some qualitative studies where data are gathered through interviews are exploratory in nature. Such type of research is also significant when the data is partially available but insufficient to achieve the research objectives, hence more information is critically need to be collected for developing a workable theoretical structure. According to Piaw (2012), it is also known as the leading research design where data is collected from a small group of respondents to explore certain characteristics in them and to decide whether there's a need for the study.

Consequently, the researcher adopted the exploratory, case study approach to collect data and answering research question one to identify the characteristics as constituting what's meant by effective corporate governance practices.

3.3.3.2 Survey Research

Survey research is one of the most famous non-experimental research techniques in various areas of studies, particularly the societal field. Survey research is a quantitative approach that features the use of self-report measures on carefully selected samples. The popularity of this method is due to the following characteristics: 1) It is easy to be conducted normally using questionnaires or interviews or both methods. 2) results can be generalized accurately and effectively to the population of interest. 3) data can be quickly collected since responses from the subjects are obtained directly in a short period of time. 4) It can be conducted for large sample as well as small samples. 5) it can be used widely to answer various kinds of research questions concerning issues and problems from multiple perspective. It is particularly useful in explaining attitudes, views, beliefs, feelings and behaviour. The above latest feature of survey research is compatible with the requirement of this study since the researcher targeted respondents to provide their views on the relative importance of the characteristics perceived by them as effective corporate governance practices.

Survey research is normally applied with an objective of describing the characteristics of subjects in the study. Meaning that, it is adopted to provide and elaborate the opinions of the subjects, as well as predict the characteristics of the subjects in the study (Piaw,2012). According to Gubruz (2017), the survey method is categorized into two main sub-methods, the descriptive and the analytic surveys. Descriptive surveys are adopted in identifying the selected sample group's demographic characteristics, opinions on various respondents or on a specific respondent. Analytic surveys are implemented to determine the relationship between the relevant variables. However, surveys according to purpose may involve both the descriptive and the analytic surveys questions.

This study employed a mixed research method. The researcher conducted the case study for exploring the respondents' perception to identify research characteristics and carried out the survey research to prioritize those characteristics in terms of their relative importance.

3.4 RESEARCH STRATEGIES

Research is normally classified as either quantitative or qualitative. Both categories are dissimilar with respect to the instruments and methods adopted and they have different goals, concepts, research strategies, sampling techniques, data collection and data analytical tools as well as instrumentation (Piaw, 2012).

3.4.1 Qualitative Research

Qualitative research is associated basically with the qualitative procedures. In general, it concentrates on the context of human behaviour. By adopting this type, the researcher can collect and analyse data, concerning behaviours, views, emotions etc, from the research subjects through observation. It is primarily useful for Psychologists and interviewers. Many methods are being adopted like test of word association, completion of sentence, drawing pictures, "Thematic Apperception Test". It is required when quantitative research cannot be applied. Thus, it is also named as "Motivation Research" (Patel and Patel, 2019). However, the researcher implemented the qualitative strategy by interviewing the respondents and test and analyze their perception thematically.

3.4.2 Quantitative Research

This research is primarily dealt with the quantification of phenomenon in terms of amount and numbers. Always a discussion is managed between quantitative and qualitative terms. An example for the quantitative research is carrying out senses for collecting population, social, economic statistics of a particular area. They are subjected to statistical analysis. It depends originally on primary data like survey and questionnaire techniques. However, the inter-dependency can be demonstrated between each other (Patel and Patel, 2019).

3.5 DATA COLLECTION INSTRUMENTS

Data can be gathered from primary or secondary sources or both. Primary data mean getting information from the original source by researcher on variables of interest for the identified objective of the study. Secondary data mean gathering information from the existing sources (Sekaran and Bougie, 2011). Primary data sources composed of persons, discussion teams, round tables of research subjects, the internet facility and so on. Sileyew (2019) noted that the primary data were more dependable and confident for decision making. Secondary data sources include knowledgeable journals, books, various research papers, proceedings, historical data, firm archives, formal publications, websites and the like.

Relying upon the type of information required in this study, data was collected through two popular survey research instruments: The interview and questionnaire. The interview was used to collect the qualitative data from the research respondents while the questionnaire was employed to collect quantitative data and designed according to the Sa'aty Analytical Hierarchy Process (AHP). AHP was adopted by researcher as an appropriate data analysis technique.

3.5.1 The Interview Instrument

Piaw (2012) explained that the interview is one of the popular methods that's carried out to collect information through interviewing research respondents. It is not different from questionnaire but differs in that interview is conducted verbally and replies are usually recorded by the researcher in writing, through video or through other electronic means. An interview can be conducted according to the following types: the structured, the semi-structured and the unstructured interview. Figure 3.1 below, also depicted the three types of interview.

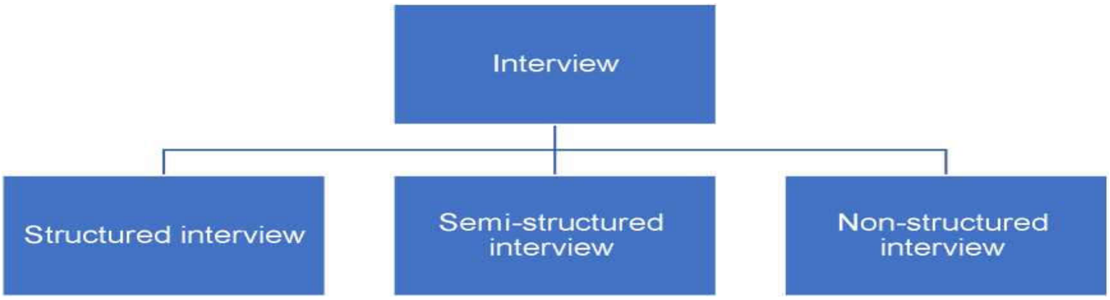


Figure 3.1 Types of Interviews

3.5.1.1 Structured Interviews

The structured interview is well designed and implemented officially. The interviewer has to ask the respondents based on certain list of questions that were selected to handle the major issues of the research. Each respondent is asked similar questions. The purpose of the structured interview is to provide each subject with the same stimuli so that the information gathered from them can be distinguished precisely.

Numerous questions are not required when they are quite adequate for gathering the needed data. More than enough questions can result in the deviation of gathered data from the research goal and disturb the researcher during data regulation and analysis. The three main propositions for designing questions for a structured interview are: 1) each subject has similar language skills, 2) questions are formed by employing a language that is easily perceived by every subject, 3) questions refer to the same meaning for every subject so that he will have the same perception of the research questions.

3.5.1.2 Semi-structured Interviews

According to Sileyew (2019), the semi-structured interview is normally carried in a face-to-face setting which allows the researcher to find out new ideas, ask questions, and assess phenomena in different perspectives. It allows the researcher to be aware of the depth of the current effective factors and outcomes of the working setting. Piaw (2011) stated that in the loosen interview, the interviewer not only poses, prior to the interview, formally intentional questions, but also allows for the discretion to prepare questions and answer them by the research subjects in a lengthier manner.

3.5.1.3 Unstructured Interviews

Unlike the structured, in the unstructured interview, the interviewer does not furnish a list of questions beforehand of the interview meeting. The features for non-structured interview include the following:

a. The interviewer has no knowledge of the interview questions in advance.
b. The interviewer hasn’t thought about any question prior to the interview.
c. All questions are posed voluntarily.
d. Not all respondents will understand every question in the same way, so it is unnecessary to prepare questions before the interview session (Piaw, 2012).

However, in this study, the researcher used interview instrument to collect qualitative data to answer RQ1: What are the most relevant characteristics that would enhance effective corporate governance in SJLCs? Due to the nature of data required here and because the researcher knows that research’ respondents are experts with sufficient knowledge and awareness about the research problem, the researcher intended to employ a semi-structured interview that provides more freedom to respondents not just to answer the questions that will be posed by researcher in a more in-depth manner but also to evoke more questions during the interview in a way to generate more ideas and appraise the issue from different perspectives.

The researcher designed 7 interview questions, 6 of them were meant to evoke and motivate the respondent to answer question 7 that was basically designed to answer RQ1. A sample of eight 8 to 15 respondents represents the governance experts of SJLCs were targeted to answer open-ended questions pertaining to characteristics that are expected to enhance effective corporate governance in order to extract useful information to identify those characteristics. Interview questions were meant to collect as much information about the good quality of corporate governance that might not be known to the researcher or not even existing in the previous studies. Then data was recorded and transcribed for each respondent. Transcribed data were made ready for the purpose of analysis.

3.5.2 The Questionnaire Instrument

The Questionnaire instrument in the survey research should consider the following features: 1) consist of questions relevant to the level of the preparation of the research subjects, the prepared questionnaire must be relevant for the knowledge and preparation of the respondents, the questions must be transparently and fairly presented. 2) contains orderly organized questions. 3) consist of transparent instructions, instructions on how to provide answer for questions should be obviously posed to avoid confusing the research subjects regarding what is needed. 4) To be equipped with the required documents and letters for the research respondents should be easily understood and using a specially designed format, it will specify the return rate of complete questionnaires and will also assist to enhance the subject confidence towards the researcher and the carried-out research. 5) pilot tests need to be implemented prior to using of the questionnaire. This step is taken to be assured about the validity and reliability of the survey instrument. It can be conducted on another group of subjects who own similar features of the research respondents (Piaw, 2012).

In the current research, the questionnaire was carried out to collect quantitative data to answer RQ2: What is the relative importance of each characteristic to the others?

This questionnaire was designed according to a well-known Sa'aty Analytical Hierarchy Process (AHP). AHP technique is useful for this study because the research variables are more than two and the decisions need to be reached by the respondents have no clear choice. Moreover, the research subjects will be asked to compare several options and select the best one and this feature is provided adequately by AHP.

Based on AHP method, a questionnaire on ranking the importance of effective corporate governance characteristics was distributed to thirty (32) experts who are either occupying an advisory role or executive role in SJLCs. Those experts were required to provide data concerning the relative importance (prioritization) of these characteristics that were identified first at the interview phase.

A pilot interview was conducted before the real interviews in order to test out and improve the interview questions. Also, a pilot questionnaire was carried out to improve questions and to alleviate any difficulty involved in using AHP method. The possible amendments in both instruments included the sequence and phrasing of the questions in addition to the selection of respondents.

3.5.3 Ethical Consideration in Data Collection

In order to address ethical considerations aspect of this study, data collection was made according to the protocol to avoid any ethical breach. The following points were met before data collection: 1) prior consent and appointments were sought before meeting the participants, 2) respondents participated on the basis of informed consent, thus sufficient information and assurances about taking part in the research was provided, 3) the use of offensive, discriminatory, or other unacceptable language was avoided in the formulation of the questionnaire and interview questions, 4) privacy and anonymity of respondents is of high importance.

3.6 POPULATION AND SAMPLING

Sampling is a technique of selecting a number of subjects to represent a population as respondents in the world of research. According to Piaw (2012) sampling is a significant aspect of research because the selection of an inappropriate sample will negatively affect the validity and reliability of the research. However, it is difficult to obtain precise measurements and computations when it is impossible to study the behaviour of each subject within the population.

In determining he sampling design, Sekaran and Bougie (2011) mentioned that there are two key sampling designs: probability and non-probability sampling. In probability sampling, the components of the population have non- zero chance of being chosen as sample respondents while in non-probability sampling, the components do not have a previously determined chance of being chosen as respondents. Probability sampling designs are usually adopted when sample representation interested in broader generalization. On the other hand, when certain factors, other than generalizability, become more significant, non-probability sampling is generally used. Hence, based on the degree of generalizability required, the time factor and other resources, and the purpose of the study, different types of the probability and non-probability sampling design are selected.

Some of the non-probability sampling plans are more dependable than others and could offer some important leads to potentially useful information with regard to the population. The most famous category of non-probability sampling that the researcher adopted for both qualitative and quantitative strategies is the judgement sampling which represents subcategory of purposive sampling. The purposive sampling and the judgement sampling will be briefly discussed here below.

3.6.1 Purposive Sampling

Instead of obtaining information from those who are readily or conveniently available, it might sometimes become necessary to obtain information from specific target groups. According to Piaw (2012), the purposive sampling is a procedure whereby certain group of subjects is chosen to provide the required information, since those group members have certain characteristics or they are the only ones who have it, or they satisfy certain criteria established by the researcher. This type of sampling design is called purposive sampling, and the two major types of purposive sampling- judgment sampling and quota sampling. The researcher focused only on judgement sampling as the appropriate sampling design for this study.

Sekaran and Bougie (2011) stated that judgment sampling involves the choice of subjects who are either in senior positions, experts and professionals or in the best location to provide the information desired. For example, if the researcher wants to obtain what it takes for women to be leaders at the highest corporate level, the only people who can give first-hand information are the women who have become CEO, Chairperson, or any other senior at the top- level of the corporations. This is because they could reasonably be expected to have great knowledge and experiences in the researchable area and hence might be able to avail the desired information intended by the researcher.

Although judgment sampling may reduce the generalizability of the findings, it is the only viable sampling method for obtaining the type of information that is required from very specific pockets of people who alone possess the needed facts and can give the information sought. As already stated, this sampling design may be the only useful one for answering certain types of research question. Accordingly, in this study, the population of the study was confined to one group of corporate stakeholders; the corporate experts of SJLCs. In fact, the researcher examined the relative importance of corporate governance characteristics from the perspective of that group only.

The study involves two phases of data collection; in the first phase, the researcher interviewed the experts to collect data to identify corporate governance characteristics. This group of corporate experts are expected to have adequate expertise in the field of corporate governance and accordingly they supposed to be sufficiently qualified to provide the required information desired by the researcher. Thus, the sampling design that was selected for collecting qualitative data, was a purposive sampling, more specifically, judgement sampling because the researcher has sufficient background about the population qualities and the nature of the research objective.

The researcher, from a flexible sample of 8 to 15 respondents, was able to interview only 9 experts from different sector within SJLCs to provide for the diversity in specialization. The flexibility of the sample meant that the researcher might interview more than 8 but less than 15 respondents depending on the extent to which the researcher is satisfied by the information obtained. However, since the sample is small in purposive sampling, the researcher was expected to collect the required information from 8 respondents at least.

In the second phase of data collection, the researcher intended to collect quantitative data using questionnaire instrument which was designed to function with

AHP analytical technique. The respondents here are also corporate experts and they were asked certain questions aiming at prioritizing the corporate governance characteristics that were identified in the previous phase. As mentioned previously, the researcher here was also seeking specific information from the respondents who were sufficiently knowledgeable and qualified in the concerned area. Thus, judgement sampling was considered appropriate and satisfactory in this phase. Moreover, the quantitative data collected, in this phase, were analyzed by the AHP technique which also have limited capacity to function with only small sample size. Consequently, the sample of 32 respondents was an appropriate sample to collect the desired information that conform with the data analysis conducted using AHP.

3.7 ANALYTIC HIERARCHY PROCESS (AHP)

This research work uses the well-known AHP model as a multi-criteria decision making (MCDM) technique to answer RQ2: What is the relative importance of corporate governance characteristic? According to Franek and Kresta (2014) the advantage of AHP is that it provides a hierarchical structure of criteria, which helps users focus well on specific sub-criteria when allocating weights. The importance of this step is that a different structure may result into a different final arrangement. Therefore, when establishing the AHP hierarchy in the presence of a large number of components, the decision maker should try to arrange these components into groups so that they do not vary extremely.

AHP is characterized by its decision hierarchy that groups goal, criteria, sub-criteria and alternatives in a meaningful relationship. Saa'ty (2001) noted that criteria are chosen by a decision maker. The chosen criteria may be evaluated on different measures, such as length or weight, yet there may be even no scale when it is intangible. First, priorities are obtained for the criteria based on their relative importance to achieve the goal. The prioritization process provides the problem solution of how to deal with different types of measures, by interpreting their importance to the values of the users. Ultimately, a weighting and adding process is used to derive overall priorities for the alternatives as to how they influence the goal.

According to Al-Harbi (2001), the following are the steps for applying the AHP:

1. Identify the problem and determine its goal.

2. Build the hierarchy from the top through the intermediate levels (criteria on which sub- sequent levels depend) to the lowest level which usually contains the list of alternatives.
3. Construct a set of pair-wise comparison matrices (size n x n) for each of the lower levels with one matrix for each element in the level immediately by using the relative scale measurement.
4. There are n (n – 1)/ judgments required to develop the set of matrices in step 3.
5. Hierarchical synthesis is now used to weight the eigenvectors by the weights of the criteria and the sum is taken over all weighted eigenvector entries corresponding to those in the next lower level of the hierarchy.
6. Having made all the pair-wise comparisons, the consistency is determined by using the eigen value, λ_{max}, to calculate the consistency index, CI as follows: CI = (λ_{max}– n)/(n – 1), where n is the matrix size. Judgment consistency can be checked by taking the consistency ratio (CR) of CI with the appropriate value of Random Index. The CR is acceptable, if it does not exceed 0.10. If it is more, the judgment matrix is inconsistent. To obtain a consistent matrix, judgments should be reviewed and improved.
7. Steps 3 to 6 are performed for all levels in the hierarchy.

3.7.1 AHP Hierarchy Model Applied for Corporate Governance Characteristics

In this study, the researcher aimed at ranking the corporate governance characteristics that expected to enhance corporate governance effectiveness in SJLCs. The hierarchical model is a simple one that made of one goal at level one and number of characteristics that works as criteria to achieve this goal. The goal is represented by “Effective Corporate Governance” and the criteria were represented by some characteristics that study subjects supposed to identify later in chapter 5. However, figure 3.2 below, shows a proposed model for this study.

Figure 3.2 A proposed Hierarchical Model

3.7.2 Pairwise Comparison Matrix

In this study concerned only with prioritizing the characteristics, hence our interest in AHP is limited to constructing the Pairwise Comparison Matrix (PCM) in a questionnaire format to answer RQ2: prioritization of the effective corporate governance characteristics. We assume that characteristics are not of equally important, thus we use Saaty's (1/9,9) ratio scale shown in Table 3.1 below. Each respondent will be asked to fill the PCM attached to the questionnaire to rank the effective corporate governance characteristics according to their relative importance using the Sa'aty (1/9, 9) Ratio Scale.

Table 3.1: Saaty's (1/9, 9) Ratio Scale: Scores for the Importance of Variables

Importance	Definition of Importance Scale
1	Equally Important Preferred
2	Equally to Moderately Important Preferred
3	Moderately Important Preferred
4	Moderately to Strongly Important Preferred
5	Strongly Important Preferred
6	Strongly to very Strongly Important Preferred
7	very Strongly Important Preferred
8	very Strongly to Extremely Important Preferred
9	Extremely Important Preferred

3.8 DATA ANALYSIS

The analysis in this study includes two techniques: Thematic Analysis method to analyse qualitative data and Analytic Hierarchy Process (AHP) to analyse quantitative data.

3.8.1 Thematic Analysis

Braun and Clarke (2006) opine thematic analysis as a qualitative analytic technique for identifying, analysing and reporting patterns (themes) within data. It minimally arranges and describes data set in (rich) detail. However, frequently it goes further than this, and interprets various aspects of the research topic. In general, thematic analysis is essentially a coding operation (Glense and Peshkin, 1999).

Thematic analysis of the in-depth interviews' questions was employed to answer RQ1: identification of characteristics that are expected to enhance effective corporate governance. The purpose was to generate themes from main ideas of respondents. Themes that appear from frequent use of vocabulary, phrases or concepts were categorized into possible effective corporate governance characteristics.

3.8.2 AHP Analysis

According to Anderson, Sweeney, Williams, and Martin (2008), in using AHP, the decision maker specifies judgement about the relative importance of each criterion in terms of its contribution to the achievement of the overall goal. At the next level, the decision maker indicates a preference for each decision alternative based on each criterion. A mathematical process is used to synthesize the information on the relative importance of the criteria and the preferences for the decision alternatives to provide an overall priority ranking of the decision alternatives. And to determine the priorities for a given criterion, we need to construct a matrix of the pairwise comparison rating (PCM).

In this study, for the purpose of analysis, the quantitative data was collected from respondents in a form of constructed PCMs to answer RQ2: prioritization of the effective corporate governance characteristics. However, there were two options for the researcher to carry out the quantitative analysis using AHP method, one was to process the analysis completely using Microsoft excel sheet, the second was to use the super-decision software which is designed basically to prioritize criteria, characteristics, alternatives or any other factors justify goals attainment.

3.8.2.1 AHP Analysis Using Microsoft Excel Sheet

By adopting only Microsoft excel sheet, the following major steps need to be followed to analyse such accumulated data:

Step 1. To calculate the average PCMs for each category.

Step 2. Synthetization is the process of calculating the priority of each criterion in terms of its contribution to the overall all of selecting the best criterion. In this step we Compute the weights by using row-column normalization procedure which is done in three steps:

1. Sum the values in each column of PCM.

2. Divide each element in the matrix by its column total. The resulting matrix is referred to as the normalized pairwise comparison matrix.

3. To compute the weights for the factors, we calculate the average of the elements in each row of the normalized matrix.

Step 3. Measuring consistency in decision making judgement: AHP provide a measure of consistency for the pairwise comparisons by computing a consistency ratio. This ratio is designed in such a way that a value greater than 0.10 indicates an inconsistency in the pairwise judgements. Thus, if the consistency of the pairwise comparisons is considered reasonable and the AHP process can continue with the synthetization computations. This step is carried out in further five sub-steps:

1. To obtain the weighted sum vector, we multiply the first column elements in the original PCM by the weight of first criterion, the second column elements by the weight of second criterion and so on.

2. The consistency vector is obtained by dividing each element of the weighted sum vector by the weights of the criteria.

3. Measuring the average of the values of the consistency vector obtained above; this average is denoted by λ_{max}. Given (x,n) represent (average values and number of criteria):

$$\lambda_{max} = (x_1 + x_2 + \ldots + x_n)/n$$

4. Compute the consistency index (CI) as follows:

$CI = (\lambda_{max} - n)/ n - 1$, where n represents number of criteria.

5. Compute the consistency ratio (CR) to evaluate the degree of consistency.

$$CR = CI/ RI$$

Where (RI) is the consistency index of a randomly generated pairwise comparison matrix. The value of RI depends on the number of items and is given in table 3.2 below:

Table 3.2: Value of RI

n	3	4	5	6	7	8
RI	0.58	0.90	1.12	1.24	1.32	1.41

Where "n" indicates the number of criteria

Thus, when the CR is equal to or less than 0.10, we can conclude that the degree of consistency in the pairwise comparisons is acceptable and vice versa.

3.8.2.2 AHP Analysis Using Super-Decision Software

Super Decisions software is easy-to-use for building decision models based on dependency, feedback, and calculation of outcomes using the Analytical Hierarchy Process. In super-decision software, a hierarchical decision model has a goal, criteria that are evaluated for their importance to the goal, and alternatives that are evaluated for how preferred they are with respect to each criterion. The goal, the criteria and the alternatives are all elements in the decision problem, or nodes in the model. The simplest hierarchical model has a goal cluster containing the goal element, a criteria cluster containing the criteria elements. The super-decision model consists of groups of elements (or nodes), rather than elements (or nodes) arranged in levels. Figure 3.3 below represents the simplest hierarchical model that has a goal set containing the goal element and a criterion set containing the five criteria. When the sets are connected by a line, it means that the associated nodes are connected.

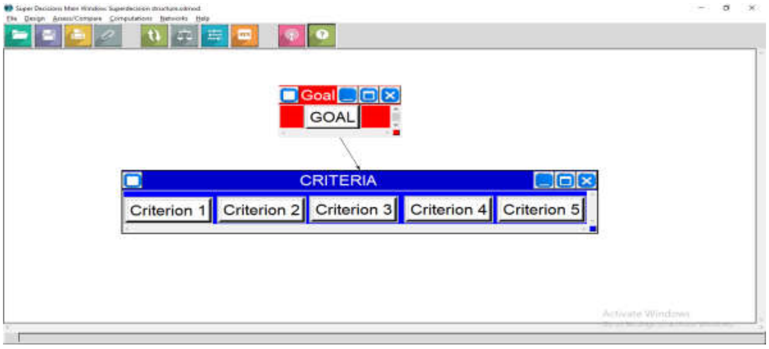


Figure 3.3 Simplest Hierarchical Model

3.9 CHAPTER SUMMARY

Firstly, the chapter was intended to provide sufficient information about research methods, strategies and designs that were used in different business contexts. Most of the chapter was devoted to data collection procedure, sampling processes and data analysis techniques. In every aspect in this chapter the researcher highlighted on the research methods, designs, data collection and analytical techniques adopted in this study.

CHAPTER FOUR

QUALITATIVE ANALYSIS

4.1 INTRODUCTION

This chapter presents the major findings obtained after the researcher conducted detailed data analysis using the interview method as well-known instrument. The aim of this qualitative part of the research is to find an answer to research question (RQ1): What are characteristics that enhance corporate governance practices in SJLCs? Thus, the researcher applied the thematic analysis method for 7 interview questions which are designed to generate themes from respondents' answers. The respondents were asked – through in-depth interviews – to identify the major characteristics that are expected to enhance corporate governance practices in Saudi joint-stock listed companies. The researcher first extracted the main ideas from the respondents' answers, then generated themes from the main ideas and finally pointed out the characteristics relevant to that themes.

4.2 RESPONDENTS' BACKGROUND

The researcher collected the qualitative data from 9 interviewees who are corporate governance experts with different qualifications and specializations. The interviewees are employees from SJLCs, located in Jeddah city. Approximately 90% of them are senior staff who are directly involved in corporate governance operations and activities of these companies. The background of the respondents is presented in table 4.1.

4.2.1 Respondents' Demographic Data

The researcher collected the respondents' demographic data which include six categories; gender, educational qualification, specialization, department, position and years of experience. Reading from table 4.1 below, the gender category shows that most of the respondents are males represented by 77.8%, this is mainly due to the previously low rates of the working women in the Saudi labour market, and despite the recent efforts of Saudi authorities to improve this rates, the current situation is still modest compared to men. With respect to their qualifications, only one respondent is Ph.D. holder which represented by 11% while the degree and master holders share the remaining 44.5% each. More than 50% of the respondents are professionals in law and legal affairs, while 22% are specialized in business administration, 11% are financial experts. It is found that most of the respondents are working in corporate governance and legal affairs with a rate of 78%. Also, most of them are occupying a senior position (67%) and 33% only are executives or administrators. It is also found that, among the respondents, 9 years is the minimum years of experience while more than 10 and 15 years are represented by 22% and 33% respectively.

Table 4.1: Respondents' Profile

Category	Sub-category	Frequency	%
Gender	Male	7	77.8
	Female	2	22.2
	Total	**9**	**100.0**
Education Level	Doctoral	1	11
	Master	4	44.5
	Degree	4	44.5
	Total	**9**	**100.0**
Specialization	Law	5	56
	Business Administration	2	22
	Finance	1	11
	Others	1	11
	Total	**9**	**100.0**
Department	Corporate Governance & Legal	7	78
	Finance $ Investment Relations	1	11
	Others	1	11
	Total	**9**	**100.0**
Position	Senior	6	67
	Executive	3	33
	Total	**9**	**100.0**
Years of Experience	Above 15	3	33
	Above 10	2	22
	Above 6	4	45
	Total	**9**	**100.0**

Interviewing 78% from legal affairs departments is an advantage in favour of data quality because the core practice of corporate governance is built on principles and SJLCS are required to comply with rules and regulations. This reality gives the legal specialization employees major role over other specialization in leading the governance sector.

4.3 THEMATIC ANALYSIS

In this section the researcher adopted the thematic analysis to find an answer to RQ1: What are characteristics that enhance corporate governance practices in SJLCs? This study is limited to Saudi joint-stock listed companies in Jeddah city in Saudi Arabia. As mentioned previously, the researcher interviewed 9 respondents who are experts in the field of corporate governance from different corporations. The findings are obtained as follows: First, the researcher extracted the main ideas from respondents' opinions, then themes from each main idea or ideas are revealed and finally the research variables (characteristics) are generated and selected.

Since the CMA represents the main reference in complying with the regulations and laws of governance for SJLCs, it is expected that the responses and opinions of the study subjects, who are experts in governance affairs, will be affected by those principles and governance regulations. However, each company has its own discretion to set internal policies and procedures and benefit from the experiences of others inside or outside the Kingdom.

The respondents provided opinions relating to characteristics that are expected to enhance the effectiveness of corporate governance practices in SJLCs. By adopting the thematic analysis, the process of generating the themes and characteristics were based on interviewees' opinions and perceptions. This process revealed several general themes from which the researcher extracted 16 themes that are proposed by interviewees as characteristics of effective corporate governance practices. They include (1) audit committee independence (2) board size (3) board expertise diversity (4) board meetings (5) separation of power (6) remuneration committee independence (7) nomination committee independence (8) ownership structure (9) board independence (10) audit committee expertise (11) board composition (12) transparency and disclosure (13) board empowerment (14) ethical leadership (15) board gender diversity (16) audit committee meetings. Table B1, in Appendices section, presents how themes are generated from main ideas of respondents for each theme or characteristic.

The next section presented a detailed thematic analysis for 16 corporate governance characteristics.

4.3.1 Audit Committee Independence

Audit committee independence is public sector organization board-level committee, made up of at least majority of independent members with responsibility to provide oversight of management practices in key governance areas. According to the Saudi regulatory body (CMA), at least one of its members is independent and that none of the executives are part of it, but the chairman of this committee must be an independent director. The number of the committee's members ranges between 3 and 5 members.

A senior legal advisor, specialized in corporate governance, explained that the CMA as the main regulator, enhances the independency of audit committee and mentioned that the new amendments require that audit committee members to be appointed by shareholders and not by the board as previously was the case. She opines that:

> The size of the committee is preferably 3 members and in some cases an expert may be appointed from outside the board. Wherever the independence of the committee members is improved, this will enhance the quality of reports and definitely the transparency and disclosure as well. *(R1).*

A manager from corporate governance and legal affairs department, indicated that the audit committee members are independent from the board and executive team including the CEO because they are appointed by shareholders to oversight company operations and financial reports. He reported that:

> The members of audit committee are independent from the board of directors and the CEO as well. Actually, they report directly to shareholders and not to board or CEO. This is required by CMA. *(R3)*

Another view, from a senior legal advisor, is that before the release of CMA new regulations, the members of audit committee is used to be selected by the board of directors but currently selected by the shareholders in a General Assembly. The new CMA trend aimed at empowering the audit committee to implement an effective oversight function.

> The audit committee used to be formed by board but now is formed by shareholders as per the newly amended CMA regulations. Empowering the audit

> committee is required to increase its independency. Empowering audit committee to the extent that they can call the CEO and enquire about certain issues. Thus, empowering audit committee is very important to enhance independency. *(R5)*

4.3.2 Board Size

Board size refers to the total number of directors on the board, this include outside directors, executive directors and non-executive directors. Actually, there is no worldwide acceptance regarding the ideal size of a board members. Unnecessary large board may create a challenge of how to utilize them in an effective manner or whether their participation can be justified. However, the local regulations stated that any listed company bylaws shall specify the size of the board, provided that the selected number of members by the company shall not exceed eleven and not be less than three.

According to R1, board size depends on capital and nature of company's activities. The maximum number of board members is 11 and the minimum is 3. In general, when the number of members exceeds the appropriate size it might hinder the company works and activities, thus it needs to be logically specified. She declared that:

> The number of the board members should be an odd number, such as seven members in to avoid non-independency. *(R1)*

A board secretary explained that the number of the board member should be specified based on the size of the company and nature of its activities. He also argued that a reasonable board size will allow for diversifying board opinions. He pointed out that:

> Let's take the board size one by one. For example, if you have a large-scale company and the board size is made of three or say even five members, there will not be sufficient diversity in opinions. Expertise is necessary to cover the board requirements. Thus, the size of the board should be in line with the size of the activities in the company. *(R2)*

The third respondent, who is a legal advisor, believes in the importance of board size in affecting good corporate governance practice but that is not a priority and it depends mainly on the company size and the nature of its activities. He mentioned He stated that:

> Board size is important but not very crucial. The recent CMA regulations require to have a number from 3 to 11 board members and it depends on the company nature. *(R3)*

Respondents 7 added that:

> Board size itself may not be important but having an odd number of the board in order to avoid majority domination of shareholders. *(R7)*

4.3.3 Board Expertise Diversity

Diversity takes various forms in a boardroom and can be broadly categorised into the following elements: Skills, expertise and experience. Having the optimal mix of skills, expertise and experience is paramount to ensure that the board. as a collective is equipped to guide the business and strategy of the company. Article 18 of CMA regulations (2021) explained certain requirements for the membership of the board: a board member needs to be professionally qualified, independent, with sufficient knowledge and skills so as to achieve efficient performance in his position.

A senior in legal affairs department informed that board members should have varying qualifications, expertise and knowledge that cover areas such as finance, auditing, marketing and extra.

> The member of a board should have varying experiences such as finance, marketing, human resources and so on. Diversity of board expertise is very important because it upgrades the level of corporate governance. *(R1)*

A board secretary told that if a company has a shortage of various experts within the board, this will affect company performance that may turn out to be negative. The capabilities of board members will definitely add value to company particularly in setting the strategic plan and company policies, it will also enhance their control over the executive management. Moreover, he reported that:

> In case we don’t have sufficient expertise in our company, there will be an overall failure in leading the company. The lack of expertise diversity in the board will influence the oversight function over the activities of the executive team and consequently the company performance will deteriorate. *(R2)*

A manager in corporate governance department indicated that the expertise of the board members is essential for the value addition of those members and for the overall board oversight and control functions as well.

> Board depends mainly on the diversity of members' expertise and their value addition of a board member to the board functions. I wouldn't put specific value of members based on their number, instead on their qualifications. *(R3)*

A manager of a corporate governance department informed that in order to have a very effective board to enhance corporate governance practices, this requires a careful selection process of board members. This process should guarantee that a selected board member should have diversified expertise and qualifications.

To enhance good governance practices in a company, you need a very effective board in place. In selecting board members, be careful who should possess diversified qualifications and the relevant skills and knowledge. *(R4)*.

A legal consultant supports the opinion of the previous respondents regarding the necessity of having diverse qualifications in the board in order to satisfy the required expertise in that company based on the nature and of its activities.

> For the board to be effective, you need to have qualified board directors so as to make sure they are functioning well. Also, their expertise should be diversified to cover all the company activities of the company activities. *(R7)*

A legal director in a corporate governance department confirmed that the diverse expertise of board members is more important than in board committees such as audit, remuneration, nomination and risk committees.

> Having varying expertise in different committee is not important, instead there's a great need to care more about that in the board i.e. expertise in the board is definitely more important. *(R9)*

4.3.4 Board Meetings

The board meeting is a formal meeting of a corporation's board members. This meeting is normally held at regular basis to deal with major problems, policies and procedures within the company. All persons who constitute company's board should attend and participate in that meeting. The CMA (2021) provides that: 1) the board shall hold regular scheduled meetings to carry out its duties effectively, and also held meetings when necessary. 2) the board shall hold at least four meetings annually i.e. one meeting quarterly.

A legal affairs specialist believes that board meeting is not about attending the meeting without being effective and achieving its goals.

> Board prepares meetings to discuss important issues, the organized meetings will help board members to protect themselves and prove good image because the purpose of meetings is to show transparency and disclosure. *(R1)*

A board secretary engaged in much details about board meetings, particularly the number of meetings per year, meeting attendance, meeting agenda, meeting reports and outcomes and finally effective management of meeting and degree of participation.

> Board meeting is one of the major corporate governance criteria, it is an inevitable criterion as per the regulations in Saudi Arabia. The number of meetings should not be less than four meetings per year. The discussion includes financial outcomes which are built on directives and targets required to be achieved by the executive team. Beside that there is always an item known as financial outcome of the first quarter, when the actual outcomes are not matching with the budgeted or say too less than the expected, the result is a deviation from the targeted budget. For the effectiveness of the meeting, management has to share their views about this deviation and how to avoid it in the futures.
>
> 1st, the meeting agenda, 2nd the timing of the meeting. In practice what I do? I schedule all the annual meetings in the previous year including board meetings and the committee meetings to guarantee the attendance of all members. The full attendance means a successful meeting. The file of the meeting also must be prepared and presented to meeting. After the agenda we prepare the file.
>
> The 3rd thing is the management of the meeting by the chairperson who gives opportunity to all participants to share their opinions independently. In case there's a voting for a resolution, the chairman is responsible to avoid negative participation. Finally, after the meeting there must be action points i.e. if we agree on certain points then we need to follow up these points such that to specify to whom to be assigned and who will carry them out, when and how. In the next meeting you need feedback from them to check what is achieved and what's not achieved. Only in this way the meeting will be effective. *(R2)*

Similar views were shared by a legal and corporate governance manager who stated that board meetings set at the minimum to ensure that board meets quarterly.

> There are certain procedures needed for implementing an effective meeting such as preparing the agenda at an appropriate date to allow them to read the material before starting the meeting to avoid the making of fold decisions. *(R3)*

A senior manager in a corporate governance declared that the board meeting is important and as per the regulations there is a minimum number of board meetings required by CMA regulations.

> Board meeting is one of the major elements in enhancing good corporate governance practices. As per CMA regulations, there should be at least four

> meetings annually and a reasonable interval between each meeting and the other is required. *(R6).*

A legal consultant indicated that a well-prepared board meeting agenda is an indicator of effective meeting because this provides an opportunity to oversight the executive team and to evaluate the business activities they are carrying out.

> In my view, board meeting is a major corporate governance factor in the sense that when you have good and well-prepared meeting agenda this will open the gate to evaluate management team and the business operations they are implementing. *(R7).*

A legal director who is part of group compliance office, explained that board meetings are essential for good corporate governance because they specify certain number of meetings that should be implemented throughout the year. He pointed out that in board meetings a lot of discussions will take place about company major issues and problems. These discussions indicate that board members are exercising transparency and disclosure that represent one of the pillars of effective corporate governance.

> As you know, it is not a matter of meeting alone. First of all, based on the role of the board members, it is very important to have certain number of meetings per a year. There are a lot of issues need to be discussed and resolved by the board, sometimes the executives cannot resolve certain matters that arise so they need to have that much of board meetings to make sure that each matter is sufficiently discussed and resolved at the end. The second thing is that board meeting starts with preparing the agenda that involves all the issues to be discussed, it is not just to have meetings but there are certain requirements must be satisfied from this agenda and minutes of meetings. In addition, board meeting is important for enhancing transparency and disclosure because the meeting is a good opportunity to negotiate and discuss freely with the executive management and board members. *(R9)*

4.3.5 Separation of Position

When the CEO position is held by the chairperson of a board, this will create conflict of interest, this is because the CEO is voting on his or her own compensation. Despite that a board is required by laws to include some members who are independent of executive team, the chair of the board can influence board activities, which permits for abusing the chair position. Article 24 of the CMA regulations do not permit to hold a chairman position and any executive position at the same time in a company including the CEO position, the managing director or the general manager.

A legal affairs specialist believed that if in one company the CEO is acting as chairperson simultaneously, this might not affect the business in the short run but in the long run the company is expected to face a lot of problems due to lack of compliance to corporate governance and laws that are designed to enhance good corporate governance practices such as transparency, disclosure, accountability and so on.

> CEO duality is a disastrous issue to a company. if there is CEO duality in one company and that company is successful, this is not an indicator of good corporate governance practise, instead this is against the regulations and laws set by many corporate governance legislative bodies worldwide. Thus, the company with CEO duality will no longer achieve its goals and sustain in the market. Thus, CEO must be totally separated from chair of the board. *(R1)*

Similar views are shared by respondent 2, a board secretary who explained that if there is no separation of power, there won't be judgement or oversight against the management team. Respondent 6, who is a senior manager in corporate governance department, stated that:

> The separation of power between CEO and chairperson is very important and as per the CMA regulations the chairman cannot hold a position of the CEO. *(R6)*
>
> A legal consultant narrated that CEO duality is not allowed by law.
>
> CEO duality is not allowed by law. It is very important to separate between board and CEO powers. As per the CMA regulations, the resigned CEO from the company cannot be elected as chairman for at least two years but after that he can be elected to ensure no conflict of interests and he's not going to use the past information when he was a CEO. *(R7)*
>
> A legal director indicated that chairman should not join any executive position as stated by CMA regulations. *(R9).*

4.3.6 Remuneration Committee Independence

Article 60 of CMA regulations stated that the members of the remuneration committee shall not be executives, provide that at least one of them is independent. Respondent 1, who's a senior legal advisor, reported that in this committee at least two members should be independent.

> Regarding the members of remuneration committee, there must be at least two members are independent and one from inside the management team i.e. this

> independence is expected to support the fairness requirement of the remunerations. *(R1)*

A corporate governance manager stated that the independency of the remuneration committee is very crucial and as per CMA regulations it is not allowed to appoint one of the executive team within it.

> Remuneration committee and all other committees go over the proposed decision, filter it before they recommend it to the board and this by definition will enhance corporate governance practices. The independency of remuneration committee is very important. It is not allowed by law to hire an executive within it because the role of its members is to revise executives. *(R4)*

Respondent 5 informed that according to CMA regulations, it is not allowed to appoint executives in remuneration committee.

> There is a need for clear policies and procedures, for example, the remuneration of the board needs to be approved by the general assembly and as practice, most companies combine remuneration committee with nomination committee and named it "RNC". I think the law won't allow to have executives in this committee because there will be conflict of interests that's why it influences transparency and accountability. *(R5)*

4.3.7 Nomination Committee Independence

The nomination committee is a committee that works within the structure of company's corporate governance. It is responsible of evaluating a company's board of directors and ensures that they are possessing the required skills and qualifications. Nomination committees may also involve in other responsibilities depending on the nature of that company. Article 64 of CMA, requires that nomination committee's members should not be executives at least one of them is independent. Another point in this article is that the general assembly provide the nomination committee with certain policies, roles and laws for selecting its members beside the term of their membership and their compensations.

Due to the close nature of both remuneration and nomination committees, most of the respondents share nearly the same views about the two committees.

Respondent 1, a senior legal advisor, reported that one of the nomination committee roles is to nominate even the CEO with high qualifications and expertise.

> The same thing with the nomination committee that independently of recommending the board members. This committee may involve even in nominating the CEO who must be highly qualified. *(R1)*

Respondent 4 pointed out that the CMA regulations do not permit to hire any executive as part of the nomination committee staff because they are oversighting and evaluating their performance.

> The nomination committee like other committees, they revise all the proposed decisions regarding the elected board members and executives before they recommend it to the board and in this way, it supports the independency requirement and the overall effectiveness of corporate governance practices. According to CMA regulations, it is not permitted to have an executive employee as part of the committee members since they are responsible to check and measure the performance of the management team. *(R4)*

Respondent 5 said that the remuneration committee electing the members of the board and the general assembly selecting them. Later, after forming the board, the general assembly form the remuneration committee.

> In practice, most companies combine remuneration committee with nomination committee and named it "RNC". In the remuneration committee, the law won't permit to have executives in this committee in order to avoid any conflict of interests. First of all, the remuneration committee recommends or elects the board member and the general assembly selecting them. the AGM after selecting the board form this committee. *(R5)*

4.3.8 Ownership Structure

Ownership structure is major factor in corporate governance field since it influences the incentives of executives and consequently the company efficiency. The ownership structure is defined by the distribution of rights with respect to votes and capital but also by the identity of shareholders. According to CMA (2021) if an independent director owns 5% or more of the shares of the company or if he/she is a representative of a legal person that owns 5% or more of the shares this will invalidate the independence requirement of an independent director and he/she's no longer independent.

Respondent 1 informed that if board members own many shares this will create conflict of interest.

> Regarding ownership structure, the new CMA regulatory amendments do not allow a board member to own a share in the company. I think ownership

> structure is important because it ensures board members don't possess many shares or otherwise there will be conflict of interests. *(R1)*

Respondent 2 asserted that diversity in shareholdings is very important because it minimizes the domination by the majority at the expense of the minority.

> Regarding ownership structure, I see that if there is diversity in the ownership this is a good thing and something positive, means that if the owner is the one to appoint all the board and if I have four or five members and one shareholder, say he is the one to appoint them and this allows for dominating the decision making process and limit the influence of minority shareholders. Suppose there are two shareholders, one of them may appoint three and the other appoint the two members. Definitely there is a difference in the opinion and even in the bias there is a difference, thus wherever there is election It is better to have diversity in ownership. For example, in listed companies who selects the board members? the shareholders! Mostly those nominated are expected to have good qualifications, experience and knowledge to win in the election even in the closed stock companies. *(R2)*

Respondent 2 continued in discussing this theme and proposes that It is better to limit diversity of shareholdings to companies rather than individuals.

> The diversity is always useful but if the diversity is confined only to companies only, this is better than for individuals, why? Because companies always follow procedures and policies and not personal opinions only and also in companies there is a process of decision making but individuals do not concern about compliance like that in companies. *(R2)*

Respondent 3 has a negative view about ownership structure. He thinks that ownership structure is not an important corporate governance characteristic, instead It is something out of control and we need to have a level of authority.

Respondent 4 pointed out that ownership structure or concentration is only positive when a large portion of shareholdings owned by one institution or company. He said that:

> Whenever you have fragmented ownership, you will face a lot of problems and you cannot control the board but when the big portion of the shares owned by one institution say the government, there will be more stability and less problems. *(R4)*

Respondent 5 has also negative opinion about the ownership structure. He informed that:

> When ownership is concentrated it will be easier to make decisions but may not necessary a good thing thus it has an effect. The majority may not be fair, they make decisions for their own interest and then control the minority. If there is a

> company of group of people or of one family, when dividends are distributed on annual basis, they may not retain some of the profit to be reinvested again for business growth. *(R5)*

Respondent 6 detailed with example how ownership structure influences and influenced by.

> Ownership issue that's related to the ownership of shareholders and how it affects the board election. Like in Savola company, we have Aleisa Group and Almehaidib Group. Aleisa owns more than 16%, thus he can influence the decision making. Actually, this is what happens in Saudi Arabia and the regulators should do something regarding ownership structure. I was in X company, the main shareholder is Y Group with 55.5%, every time there is conflict. In the board Y is represented and when the dividends issue raised, they ask to pay high dividends but the board say we need this money to reinvest it for growing. Because they represent the majority, they will pass the decision and get what they want. Most of Saudi companies suffer from this problem. For me ownership structure affects corporate governance practices negatively if one shareholder dominates and controls the minority. *(R6)*

Respondent 7 in his reply, focuses mainly on the minority shareholders issue and the role of regulations in supporting them. He explained that:

> Beside ownership structure, minority shareholders absolutely have rights mentioned in the CMA. The law tries to help the minority but, in some cases, it is difficult due to the structure of voting when conducting a meeting, it doesn't help. *(R7)*

Respondent 8 discussed the importance of ownership structure as a challenging factor in supporting good corporate governance. He stated that:

> For ownership structure, if most stocks owned by family members, the culture of that company requires the transparency at the minimal level because the CEO mostly dominating everything. The regulations require to increase the independency in the board and if 8% is owned by government so you will not find someone playing around. Hence, being a characteristic, it depends on the structure itself. *(R8)*

Respondent 9 also centred mainly around the protection of minority shareholders. He indicated that the new regulations make the accumulative voting a mandatory issue i.e. the minority can join together and select representatives. In particular, he reported that:

> For ownership structure to enhance!! The regulations focus on protecting the minority shareholders, to some extent you can say this is possible to implement but in reality, it is not. It is very difficult to set restrictions on owning and the main objective of rules and regulations is to protect the minority shareholders. It is very difficult to set certain rules for group of shareholders although the law

> can put certain limits and certain restrictions. e.g. for the voting to select board members, the new regulations make the accumulative voting a mandatory issue, meaning that the minority can join together and select their representatives. That's not a matter of lobbies but It is important to protect their rights. The laws and regulations want to treat them equally with the majority but the issue is that they don't have that power to have certain rules to influence the majority. When adopting accumulative voting they give them the right to gather and select representative for the minority beside refraining the majority from playing around by using their shares of voting or distribute these votes to different nominees or board member. These are some sorts of remedies. *(R9)*

4.3.9 Board Independence

Board independence in listed companies is known as the proportion of independent non-executive directors on corporate boards, calculated from the number of independent members divided by the number of members on the board. In Article 31 of the CMA regulations an independent board member needs to participate effectively in respect of company strategies, policies, performance and hiring members of the executive management team. Beside ensuring that company's interests and its owners are taken into considerations and given care priority if there are any conflicts of interest.

Respondent 2 in considering board independency, emphasized on whether the board members have personal interests and relatives of degree 1 within the executive team or other committees. He informed that:

> The second thing in the board is the independency of board members. If part of the members has personal interests, these personal interests may dominate over their opinions inside the board and their voting inside and this represent bias against the independency. Always there should be a questionnaire before the member join the company to disclose if he is dependent or not, and this check or inspection continue annually to check the independency of board members to be assured. During the year he may join another company and this might affect his independency. Regularly, there must be survey and questionnaire to be sent to the member to check their independency. In addition, if the member joins a company and feels this can cause conflict of interests, he must disclose that to the board chairman because that may result in conflict in the interests. Also, if he has relatives of degree 1 must be verified as well. *(R2)*

Respondent 4 opines that board independence is very important but the practice proves the opposite. He said that:

> Board may not be independent when you have major shareholders, some only are independent. Theoretically you can say board is independent but in practice

> It is difficult because board consists of major shareholders who although representing the shareholder but in fact, they represent their own interest. *(R4)*

Respondent 5 indicated that there are three major group in the board, non-executive directors, independent members and management executives. She reported that:

> In my opinion, you need three major best combinations. You need one third who are non-executive directors. The definition of a non-executive is the one who has relation with the company but don't do daily works, he's not independent he may be a major shareholder. One third are independent directors who are experts on the operations of the company but they don't have direct relationship. They have independent opinions compared to those who have interests. The last third are the management executives because you need information from the company. *(R5)*

Respondent 6 believed that when the majority of the board are independent it will reduce the conflict of interest. Respondent 7 stated that if you have clear policies and procedures for the responsibility of each director, each executive so in this way you are enhancing the corporate governance principles. Having accountability means having independent board. He narrated that:

> The main thing is board independence, so we send a survey to shareholders to make sure that there is no conflict of interests between board and shareholders. To make sure all principles are met. When you are talking about independency in somehow you need the board to be independent from them. The executive management must be transparent when they disclose their relatives because 1st degree relatives is to have interest. Anyway, you have to disclose about your 1st degree, 2nd degree, and 3rd degree before company sign the contract. This come in line with the characteristics mentioned above. Even the responsibility, if u have clear policies and procedures of responsibility for each director and each executive, so in this way you are enhancing the corporate governance principles. Having accountability means having independent board. *(R7)*

Respondent 8 interprets the importance of an independent board in terms of its ability to protect shareholders' interest. He explained that:

> In my opinion, I see what support corporate governance practices is to have a balance between independent board members and shareholders. If you don't have sufficient independent board member you couldn't protect the rights of other shareholders, for example if you have 100 holders and 30 percent can control, this won't safe you all the time. I just recommend a committee named an executive committee that can filter the issues before it goes to board, actually it is not a mandatory committee. *(R8)*

4.3.10 Audit Committee Expertise

Audit committee expertise is an important characteristic in meeting its oversight functions and protects shareholders' interests. The expertise of its members such as in accounting, finance and supervisory represents the ability to enhance auditing process in order to improve audit quality.

Article 55 of CMA (2021) detailed that audit committee includes the following duties:

- Analysing the company's interim and annual financial statements before presenting them to the Board and providing its opinion to ensure their integrity, fairness and transparency.
- Examining and reviewing the company's internal and financial control systems and risk management system.
- Analysing the internal audit reports and following up the implementation of the corrective measures in respect of the marks made in such report; and
- Monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the company.
- Providing recommendations to the Board to nominate external auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and terms of their contracts.

Respondent 2 stated that:

> Audit committee is very important that concerns about main four issues: the external audit, internal audit, compliance and financial statement. The members of this committee must have good financial background. *(R2)*

Respondent 4 explained that audit committee is very important and you need to have their members highly qualified with financial, auditing and risk management background. Respondent 5 supports respondents 2 and 4 regarding the necessity of having expertise in the audit committee for the sake of good corporate governance. She reported that:

> The audit committee size is not the main issue but the quality of its members, their expertise in audit committee. Two of audit committee members at least have financial specialization, this means there should be diversity in their expertise, some in the business, some in the laws and regulations, some in audit and so on. *(R5)*

Similarly, respondent 6 stated that:

> If I focus on the independency alone when electing audit committee from the board, I will ignore the expertise and diversity of qualifications. According to regulations audit committee range from three to five members. The need to be diversified with financial background, auditing, risk management and governance. *(R6)*

Respondent 7 carrying the same opinions of the above respondent. He reported that:

> Regarding the committees, as I said the size of audit committee is not important, what you want is to have diversified audit committee expertise of its members. *(R7)*

Respondent 9 mentioned that as in the board, the diversified expertise of audit committee is inevitable for good corporate governance practices. He narrated that:

> Not only in board you need expertise but even in committees you need expertise like audit committees you need to have specialist in the field, the audit committee is responsible such as in finance, accounting, legal and other backgrounds. We talk about board members in different committees. *(R9)*

4.3.11 Board Composition

Respondent 3 pointed out that, according to regulations, at least third of the board should be non-executive directors. Thus, board composition is important for effective board. Respondent 8 stated that:

> In fact, board structure is more important than board size due to the necessity of having sufficient number of non-executive directors. The board size is to complement the board structure, the latest solve a lot of problems because minorities are not represented in most publicly listed companies. They have their tools but these tools are ineffective or helpless. The independency role through time need to measure in terms of value added because only through independency role you can protect the minority. For CEO duality you can't leave all the tools at his hands otherwise he will work for his personal interest. The independent role should be associated with expertise and not necessary to have diversity because if you work with cement company, for example, and board is diversified so this must be structured diversification. If a well-diversified structure in place it will help leaving or keeping. e.g. if you have x KPMG partners but the problem is to have over the requirement. *(R8)*

Respondent 9 explained that:

> Because you have the composition of the board need to be consist of non-executives and independents, so at least one third need to be nonexecutive as per CMA regulations. The majority of board members must be nonexecutives. At least two board members are independent, thus board composition is important due to the need to form it from specified percent of members. *(R9)*

4.3.12 Board Empowerment

Empowerment means that external directors have the capacity and independence to oversight the performance of senior managers; to influence them to alter the strategic direction of the firm if the performance does not satisfy the board's expectations; and, in the most extreme cases, to change corporate leadership.

Respondent 4 is the only interviewee to raise the issue of board empowerment. In his view, board empowerment is a major issue in corporate governance. He mentioned that:

> One of the major issues in corporate governance is the empowerment of board; to give them information on time' to give them full access to the company performance; to give them access to committees because these committees may perform certain activities but do not report effectively to board. The committees should report directly to board and should provide board with the material ahead of time so as to read the material and to be able to analyse it before the board meet the executive management to challenge them in order to reach very effective and rational decisions. In my view, the current challenge is that "come from the top". *(R4)*

4.3.13 Ethical Leadership

Good corporate governance is basically about effective, ethical leadership. The role of governance of ethics is to ensure that the ethical culture within the company is aligned to the strategy set by the governing department through the implementation of relevant policies and practices.

Similarly, Respondent 4 raised another issue that he views crucial for effective corporate governance. He confirmed that the compliance to corporate governance regulations and laws cannot function well without having ethical leadership. He reported that:

> If the board and executive management do not believe in corporate governance, corporate governance will not function well. In many companies they have policies, code of conduct, manuals but when they come to compliance, they might comply in terms of check list only and that's why their efforts lack the heart of corporate governance itself. Thus, believing in corporate governance to achieve real compliance to laws and regulations cannot be reached unless you have ethical leaders. *(R4)*

4.3.14 Board Gender Diversity

Respondent 1 believes that board gender is not a significant issue in corporate governance practices and it depends on the proficiency. Respondent 2 opines that gender of a board member is not an indicator of effective corporate governance but it depends on the knowledge and experience of board members. He mentioned that:

> Whatever the board member is a male or female, I think what makes the board more effective depends on knowledge and expertise of its members and not the gender issue. *(R2)*

Respondent 3 doesn't believe that board gender diversity is an indicator of effective corporate governance. He explained that:

> Board gender diversity is important but I wouldn't say that It is a corporate governance characteristic. But having the board depends on the expertise and the value addition of that member itself is more logical in terms of its effect on corporate governance practices. For me I wouldn't put specific number of members based on gender but It is based on qualifications if you have 11 female members who are more qualified than male members, why we go for male and vice versa. My view is to look purely on the qualification level. Sometimes it happens, based on the nature of the business activities, you need to look for gender factor but in general as I said before, gender would not be a factor to look at it when electing board members. *(R3)*

Respondent 5 is very enthusiastic towards board gender diversity as a crucial factor to enhance good governance practices. She said that:

> I think gender diversity is very important factor to be considered when selecting board members because any society approximately composed of 50% a 50%, so you need a voice of the woman at least you need one specially if that company deals in women products such as perfumes, cosmetics, and so on. Also based on the society culture like in Saudi Arabia, the shopping activity is almost carried out by females' members of the family. *(R5)*

Respondent 6 doesn't believe that board gender diversity affects corporate governance effectiveness and it depends on expertise only. He stated that:

> I don't think board gender diversity is an important factor that affects the corporate governance effectiveness, whether elected board member is female or male. The matter is essentially concerned with the expertise and level of qualification. *(R6)*

Similarly, Respondent 7 doesn't agree that board gender diversity is a criterion for effective corporate governance practices. He mentioned that:

> I think most of the characteristics mentioned by the scholars and professionals are of considerable effect on good corporate governance but I don't think board gender diversity is an important and it depends on the level of knowledge and experience of that member whether he's a male or female. Because I don't think there's a goal behind it, no added value behind it. What we need is to have expertise diversity. *(R7)*

Respondent 8 argued that the board gender diversity doesn't matter. He informed that:

> I would say in our case we have a complete absence of board gender diversity. I don't think this will support corporate governance effectiveness. Instead, I see what supports, is to have a balance between independent board members and shareholders. If you don't have sufficient independent board member, you don't protect the rights of other shareholders thus gender factor is not an issue for board effectiveness. *(R8)*

Respondent 9 opines that having a woman in a board is not a requirement, what is required is to have different qualifications, experiences and knowledgeable board members.

4.3.15 Audit Committee Meetings

Audit committee meetings, normally, start with a discussion of issues of mutual interest among the audit committee, executives, internal and external auditors, if applicable. The audit committee may then meet privately with each to explicitly discuss critical or confidential issues.

According to CMA (2021) the audit committee should meet periodically, as long as it implements at least four meetings per financial year. The audit committee should also meet periodically with external auditor and internal auditor, if any. The internal auditor and the external auditor are ready to meet with the audit committee at any time if necessary. However, Respondent 6 narrated that:

> Audit committee meetings are important because they report directly to the board about the company financial situation, compliance issues and others. *(R6)*

4.3.16 Transparency and Disclosure

Respondent 5 reported that:

> Transparency is one of the fourth corporate governance pillars. The need to have good policy with regard to transparency and provide access of information to all stakeholders with board, with shareholders, with executive team, emplyees … etc. *(R5)*

4.4 RESULT OF THEMATIC ANALYSIS

The conducted thematic analysis above resulted in identifying 16 themes that are perceived by respondents as characteristics of good corporate governance practices. Table 4.2 below, shows the list of 16 characteristics identified from the thematic analysis.

Table 4.2 The Generated Characteristics from Thematic Analysis

No.	Characteristics	No.	Characteristics
1	Audit Committee Independence	9	Audit Committee Expertise
2	Board Size	10	Board Composition
3	Diversity of directors' expertise	11	Transparency and Disclosure
4	Board Meetings	12	Board Empowerment
5	Separation of Positions	13	Ethical Leadership
6	Remuneration Committee	14	Board Independence
7	Nomination Committee Independence	15	Board Gender Diversity
8	Ownership Structure	16	Audit Committee Meetings

4.4.1 List of Generated Themes by Respondents

The identified themes that represent the characteristics of effective corporate governance, are listed here below as per each respondent.

4.4.1.1 Themes Generated by Respondent 1

- Audit Committee Independence
- Board Size
- Board Expertise Diversity
- Board Meetings
- Separation of Positions
- Remuneration Committee Independence
- Nomination Committee Independence
- Ownership Structure

4.4.1.2 Themes Generated by Respondent 2

- Audit Committee Expertise
- Board Size
- Board Meetings
- Separation of Positions
- Ownership Structure
- Board Independence
- Board Expertise Diversity

4.4.1.3 Themes Generated by Respondent 3

- Board Composition
- Board Meetings
- Audit Committee Independence
- Board Expertise Diversity

4.4.1.4 Themes Generated by Respondent 4

- Audit Committee Expertise

- Board Empowerment
- Board Expertise Diversity
- Remuneration Committee Independence
- Nomination Committee Independence
- Ownership Structure
- Ethical Leadership

4.4.1.5 Themes Generated by Respondent 5

- Audit Committee Independence
- Transparency and Disclosure
- Board Gender Diversity
- Board Independence
- Remuneration Committee Independence
- Nomination Committee Independence
- Audit Committee Expertise

4.4.1.6 Themes Generated by Respondent 6

- Audit Committee Expertise
- Audit Committee Meetings
- Board Meetings
- Separation of Positions
- Board Independence

4.4.1.7 Themes Generated by Respondent 7

- Audit Committee Expertise
- Ownership Structure
- Board Expertise Diversity
- Board Independence

- Board Meetings
- Separation of Positions

4.4.1.8 Themes Generated by Respondent 8

- Board Independence
- Board Composition
- Ownership Structure

4.4.1.9 Themes Generated by Respondent 9

- Board Composition
- Board Meetings
- Audit Committee Expertise
- Board Expertise Diversity
- Separation of Positions

4.4.2 Frequencies of Identified Characteristics

According to the result of the thematic analysis above, we identified 16 characteristics that are perceived by respondents as factors of corporate governance effectiveness. Now, it is worthwhile to do comparative analysis by calculating the frequency and the rate for the generated themes. Table 4-3 presents the frequency of each theme relative to total frequency. Figure 4-1 also depicts the frequencies of corporate governance characteristics in a Pie Chart.

Reading from the table indicates that board meetings and audit committee expertise achieved the highest score (12%) among other characteristics while board expertise diversity, separation of position, ownership structure and board independence achieved 10%. Audit committee independence, remuneration committee independence, nomination committee independence and board composition scored 6%.

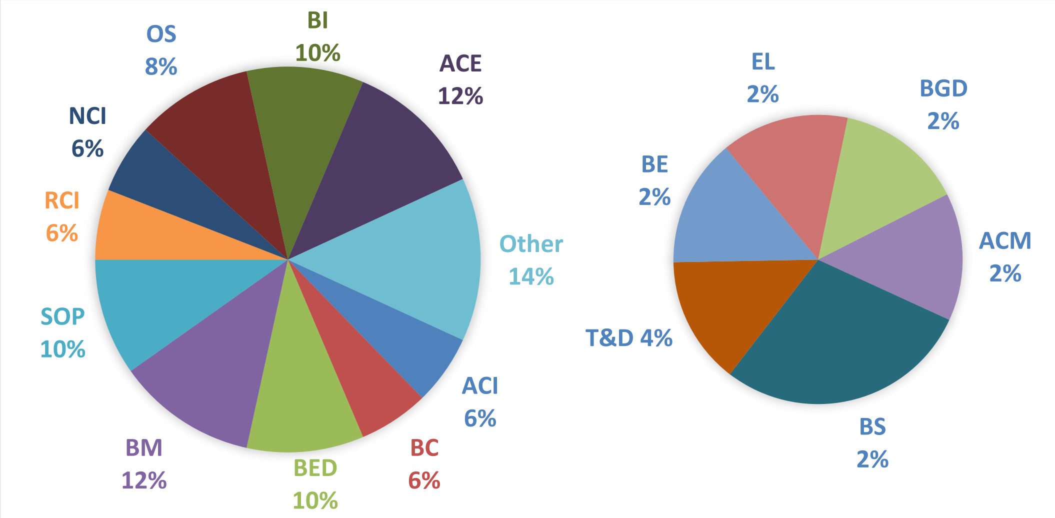
Transparency and disclosure attained 4% while the rest of the generated characteristics achieved the lowest score of (2%).

Table 4.3: The Weightiness of Corporate Governance Characteristics

No.	Characteristics	Term	Frequency	%
1	Audit Committee Independence	ACI	3	6%
2	Board Composition	BC	3	6%
3	Board Expertise Diversity	BED	5	10%
4	Board Meetings	BM	6	12%
5	Separation of Positions	SP	5	10%
6	Remuneration Committee Independence	RCI	3	6%
7	Nomination Committee Independence	NCI	3	6%
8	Ownership Structure	OS	4	8%
9	Board Independence	BI	5	10%
10	Audit Committee Expertise	ACE	6	12%
11	Board Size	BS	1	2%
12	Transparency and Disclosure	T&D	2	4%
13	Board Empowerment	BE	1	2%
14	Ethical Leadership	EL	1	2%
15	Board Gender Diversity	BGD	1	2%
16	Audit Committee Meetings	ACM	1	2%
Total		**50**	**100%**	

From figure 4.1 below, the larger circle includes all characteristics of relatively high percentages, each occupies one pie, ranging from 6% to 12%. The relatively small percentages are grouped in a pie with a percentage of 14%, then the grouped characteristics are broken down in a smaller circle to depict each characteristic with a separate pie.

Figure 4-1: The Frequencies of Corporate Governance Characteristics



However, the highest percentages obtained from thematic analysis, (10%-12%), indicate that these characteristics are perceived by respondents as major in affecting good governance practices. Thus, the lowest scored percentages, (6%-12%) denote that the characteristics play minor role in enhancing effective governance practices.

4.5 CHAPTER SUMMARY

This chapter aimed at answering RQ1, thus it provides the qualitative analysis and interpretation of the data collected from interviewees for the purpose of identifying the characteristics that expected to enhance corporate governance practices in SJLCs. The chapter begins with introduction and presenting the respondents demographic data, then thematic analysis is conducted in such a way that each theme is discussed by different respondents.

Result of thematic analysis is a process of generating themes from main ideas of respondents, these themes are transferred to characteristics that are supposed to enhance good corporate governance practices. Finally, the identified characteristics from thematic analysis are then weighted by calculating the frequency percentage of each characteristic using frequency table and Pie chart figure to depict their weightiness.

CHAPTER FIVE

FINDINGS OF QUANTITATIVE ANALYSIS

5.1 INTRODUCTION

While the previous chapter of this study devoted mainly for qualitative findings, this chapter provides the quantitative analysis and findings. The purpose of this quantitative part is to rank the characteristics of effective corporate governance practices which were identified previously in the qualitative part and to develop an appropriate hierarchical model for effective corporate governance practices in SJLCs. The ranking or prioritizing these characteristics is carried out using AHP analytical technique to answer research question two (RQ2): What is the relative importance of the characteristics that enhance corporate governance practices in Saudi joint-stock listed companies? The hierarchical model is developed after the ranking task to answer research question three (RQ3): What's the appropriate hierarchical model for effective corporate governance practices in SJLCs?

Thus, the researcher applied the AHP analytical technique using the questionnaire as an appropriate instrument to collect quantitative data from respondents who are experts in corporate governance field from different corporate sectors. Since the questionnaire was designed according to AHP technique to collect quantitative data, some difficulty was faced in filling up the questionnaire, thus the researcher supported the questionnaire with a sample showing how to fill it up. The researcher has avoided to send it through e-mails, instead he handed them directly to respondents and telephoned them to check whether there was any difficulty. In fact, 32 questionnaires were distributed, 28 were collected and only 26 was evaluated by the researcher as completed and reliable. The respondents were asked to prioritize 10 major characteristics that are expected to enhance corporate governance practices in SJLCs. The result from answering (RQ2) i.e. obtaining the ranking of the characteristics was used to answer (RQ3), the new hierarchical model.

This chapter is organised into six sections including this introduction. The second section covers the demographic profile of respondents who were participated in the quantitative part while the third section elaborates in detail the ranking findings of the study variables provided by respondents using the *super decision software* (RQ2). Section four focuses on finding out the correlation coefficients for the findings obtained from respondents' sub-groups. Section five devoted to obtaining the hierarchical model of effective corporate governance practices (RQ3).

5.2 RESPONDENTS' BACKGROUND

The quantitative data was collected from (26) respondents who are corporate governance professionals with varying experiences, knowledge and specializations. The respondents are employees from SJLCs located in Jeddah city. Approximately 90% of them are senior staff who are directly involved in corporate governance operations and activities of these companies. Collecting data from seniors who are professional in governance area, enhanced the quality of data and the findings as well. The background and the breakdown of each type of respondents' category is discussed according to Table 5.1.

5.2.1 Respondent's Demographic Data

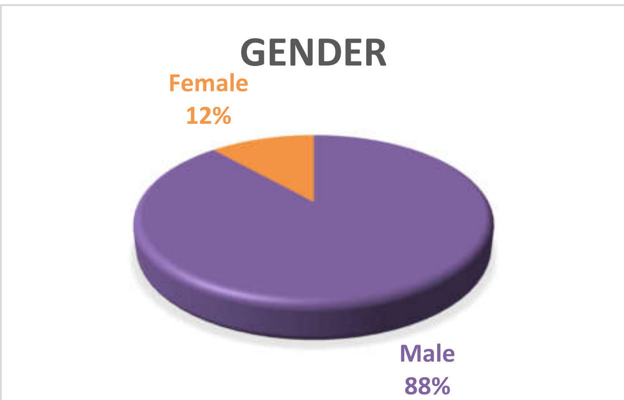
The researcher collected the respondents' demographic data and categorized them into six categories; mainly gender, nationality, age, marital status, educational level, and specialization. Reading from table 5.1 below, the gender category indicates that most of the respondents are males represented by 88% leaving the participation of females by only 12%.

Figure 5.1 below, also, depicts the gender category in a pie chart. As mentioned previously in the qualitative part of this study, the low rate of female participation is unavoidable in Saudi Arabia because employing women and men in one entity is only a recent trend began in 2017 and since then their participation rate is growing but it takes time to equate men rate.

Table 5.1: Respondents' Profile

No.	Category	Frequency	Percentage%
1	**Gender**		
	Male	23	88%
	Female	3	12%
	Total	**26**	**100%**
2	**Nationality of Respondent**		
	Saudi	5	19%
	Non-Saudi	21	81%
	Total	**26**	**100%**
3	**Age Group**		
	21-30	2	7.7%
	31-40	8	30.8%
	41-50	8	30.8%
	51 and above	8	30.8%
	Total	**26**	**100.0%**
4	**Marital Status**		
	Married	23	88%
	Single	3	12%
	Total	**26**	**100%**
5	**Educational Level**		
	Bachelor	10	38%
	Master	7	27%
	Certificate	9	35%
	Total	**26**	**100%**
6	**Specialization**		
	Business and Finance	9	35%
	Legal Affairs	6	23%
	Auditing	11	42%
	Total	**26**	**100%**

Figure 5-1: Gender Category

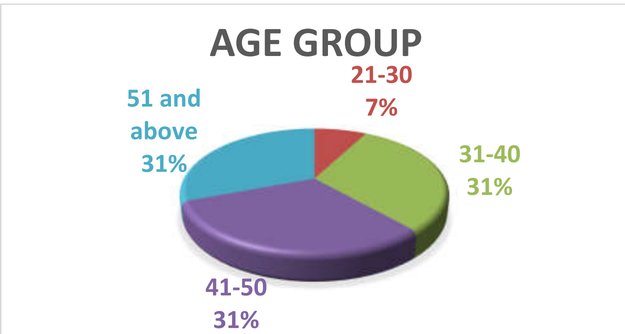


With respect to nationality, only 19% are Saudi while the non-Saudi represent the majority by 81%. Unlike the qualitative part where most of the respondents are specialized in law and corporate governance which is one of the highly nationalized sectors. However, in the quantitative part the researcher had to collect data from other specializations that have relevance to corporate governance such as auditing (42%) and business administration (35%). The purpose of this was to enrich the quality of data and to have diverse opinions and perception. This is why majority of respondents are non-Saudi. Figure 5.2 below shows the nationality sub-category.

Figure 5-2: Nationality Category

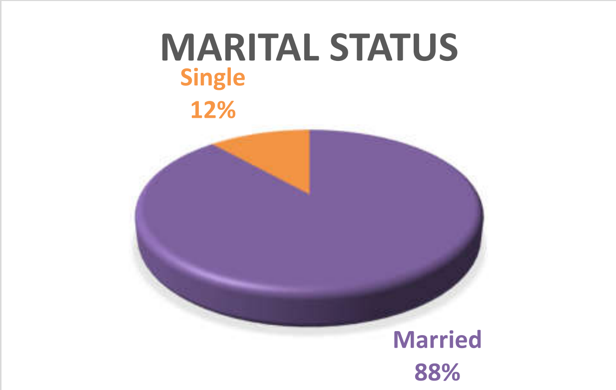
In respect to age group, most of the respondents are seniors above 30 years' old, represented by more than 92% while only 8% are between 21 to 30 years. Figure 5-3 below depicts the age category. This age structure enhances the quality of data because the majority (92%) have long experience and accumulated knowledge that sufficiently reinforce their opinions.

Figure 5-3: Age Category



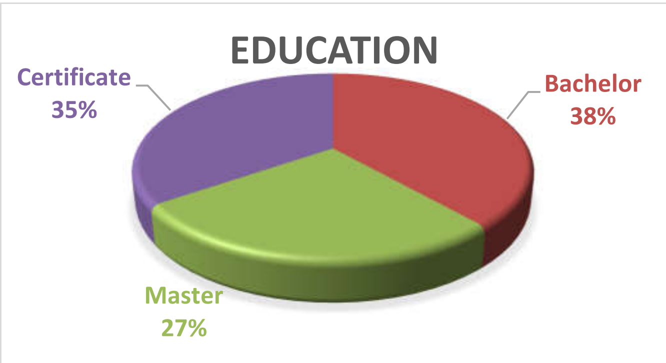
The marital status group shows that the majority of respondents are married with 88% while the non-married are only 12%. Figure 5-4 below presents this category.

Figure 5-4: Marital Status



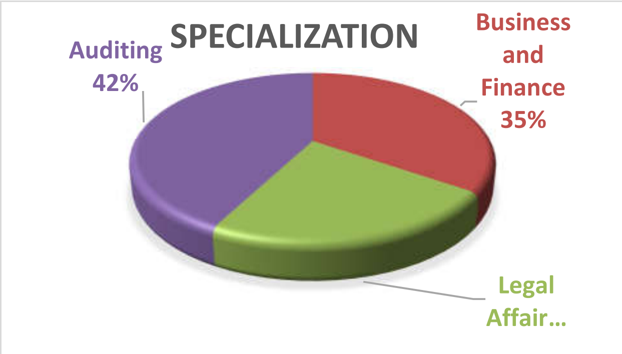
The education of the respondents is classified into 3 sub-categories: the bachelor, master and certificate holders. 35% have professional certificates, 27% are master holders while bachelor holders represented by only 38%. This group added value to the quality of the data as most of the respondents (62%) hold postgraduate degrees. Figure 5-5 below presents this category.

Figure 5-5: Education category



Finally, the specialization category shows that the majority are specialized in auditing field with 42%, followed by the specialization in business and finance by 35% and the legal and affair and governance specialization is represented by 23%. However, it is worthy to mention that the corporate governance activities are carried out and practiced by departments or entities (77%) other than legal and governance affairs. Figure 5-6 depicts the specialization category. As discussed previously in the nationality subgroup paragraph, the researcher intentionally targeted other specialization groups that have relevance to corporate governance in order to get different perception in ranking the research criteria.

Figure 5-6: Specialization Category



5.3 PRIORITIZATION OF CHARACTERISTICS

This section provides comprehensive analysis of the quantitative data collected from 26 questionnaires, using AHP analytical tool to answer research question RQ2: What is relative importance of characteristics that enhance effective corporate governance practices in SJLCs? Based on the result of thematic analysis in the previous chapter, 16 characteristics were identified by the interviewees as having effect on good corporate governance practices.

However, the researcher decided to select only 10 characteristics to apply AHP analysis. In fact, this can be justified in two points: 1) the result of the thematic analysis shows 6 of 16 characteristics have scored less than 4%, the least among others and hence expected to have marginal influence on the effectiveness of governance practices, thus the researcher excluded 6 characteristics. 2) secondly, the researcher adopting the AHP technique to prioritize the characteristics but the maximum capacity to apply AHP technique is only 10 variables.

Thus, the researcher applied AHP for the 10 characteristics that have highest scores according to the respondents' judgement. Table 5.2 below, lists the 16 obtained characteristics from thematic analysis with their frequencies, the selected 10 characteristics for ranking process and the excluded ones.

Table 5.2: Frequencies of Characteristics & the Selection Decision

No.	Characteristics	Term	Frequency	%	Selection Decision
1	Audit Committee	ACI	3	6%	Inclusion
2	Board Composition	BC	3	6%	Inclusion
3	Board Expertise Diversity	BED	5	10%	Inclusion
4	Board Meetings	BM	6	12%	Inclusion
5	Separation of Positions	SP	5	10%	Inclusion
6	Remuneration Committee	RCI	3	6%	Inclusion
7	Nomination Committee	NCI	3	6%	Inclusion
8	Ownership Structure	OS	4	8%	Inclusion
9	Board Independence	BI	5	10%	Inclusion
10	Audit Committee	ACE	6	12%	Inclusion
11	Board Size	BS	1	2%	Exclusion
12	Transparency and	T&D	2	4%	Exclusion
13	Board Empowerment	BE	1	2%	Exclusion
14	Ethical Leadership	EL	1	2%	Exclusion
15	Board Gender Diversity	BGD	1	2%	Exclusion
16	Audit Committee	ACM	1	2%	Exclusion
Total			**50**	**100%**	

Thus, AHP technique was adopted here to obtain the relative importance among 10 selected characteristics that include ACI, BC, BED, BM, SP, RCI, NCI, OS, BI and ACE. To carry out the AHP analysis, each respondent was asked to fill the PCM attached to the questionnaire to rank the corporate governance characteristics according to their relative importance using the Sa'aty (1/9, 9) Ratio Scale. According to Sa'aty (2008), there are four phases to apply AHP technique to prioritize the factors under study. They include:

1. Identify the problem, determine its goal and provide sufficient knowledge relevant to the problem.

2. Build the decision hierarchy which is a tree like structure. Start from the top (the objectives from a decision-maker's viewpoint) through the intermediate levels (criteria on which sub- sequent levels depend) to the lowest level which usually contains the list of alternatives.

3. Construct a set of pair-wise comparison matrices (size n x n) for each of the lower levels with one matrix for each element in the level immediately by using the relative scale measurement. The pair-wise comparisons are done in terms of which element

dominates the other. There are n (n – 1) judgments required to develop the set of matrices. Reciprocals are automatically assigned in each pair-wise comparison.

4. Use the weight average obtained from the comparisons to prioritize the level immediately below the goal. The application of these stages is further elaborated in the subsequent 3 steps.

1) Problem Identification

The issue is to prioritize 10 corporate governance characteristics that were identified by interviewees as the criteria to enhance good corporate governance practices in Saudi joint-stock listed companies (the goal). It is expected that the ranking of the mentioned characteristics will assist SJLCs to realize the relative importance of those characteristics on influencing good corporate governance practices. Thus, companies can easily manage to evaluate, develop and redirect each characteristic to achieve this goal.

2) Structure of the Hierarchy Model

Construct the decision hierarchy model that represented by AHP model in this study. The hierarchy in this study has two levels, the goal level and the criteria level. The goal level focuses on the decision problem, thus the goal of the hierarchy in this study is the effectiveness of corporate governance practices in SJLCs. The criterial level illustrates the corporate governance characteristics that are expected to enhance the corporate governance practices in SJLCs the goal.

The objective of the AHP model is to prioritize these characteristics according to their weight in enhancing that goal. Figure 5.7 illustrates the AHP hierarchy with the two levels.

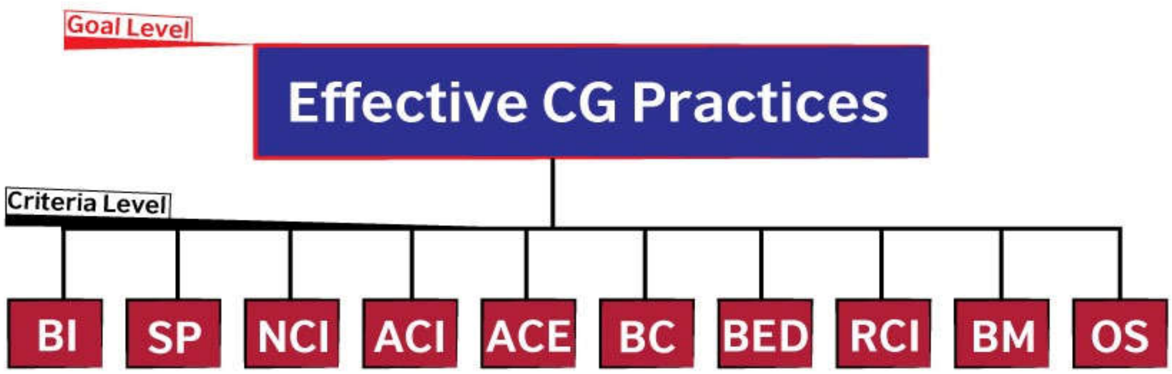


Figure 5.7: AHP Hierarchy Model

3) Construct a Set of Pair-wise Comparison Matrices

In this step, the AHP technique requires to build a set of pair-wise comparison matrices in order to get pair-wise comparisons judgement for the corporate governance criteria. The technique of the pair-wise comparison requires that each respondent to compare each criterion based on the relative importance with respect to the goal at the upper level. This can be illustrated from figure 5.2 above, the criteria at the lower level represented by 10 corporate governance characteristics which were arranged into a matrix of (10x10). The respondents by giving their judgements on the relative importance of the criteria with respect to AHP objective, they prioritize the corporate governance characteristics. The judgements were made by adopting the AHP pair-wise comparison matrix using Sa'aty scale (1/9, 9) as shown in Table 5.3 below.

Table 5.3: Saaty's (1/9, 9) Ratio Scale: Scores for Ranking the Variables

Importance Scale	Definition of Importance Scale
1	Equally Important Preferred
2	Equally to Moderately Important Preferred
3	Moderately Important Preferred
4	Moderately to Strongly Important Preferred
5	Strongly Important Preferred
6	Strongly to very Strongly Important Preferred
7	very Strongly Important Preferred
8	very Strongly to Extremely Important Preferred
9	Extremely Important Preferred

It is worthy to mention that the judgements made by experts who are acquainted with sufficient experiences on governance practices and its supportive specializations such as finance, legal affairs and auditing. The researcher, to simplify the questionnaire filling up task, printed a hard copy of the questionnaire and submitted to each respondent. The filled questionnaires were then transferred by the researcher to PCMs to represent the respondents' judgement on the relative importance of each characteristic with respect to others. These judgements are made based on the sa'aty ratio scale, as mentioned previously, for ranking the characteristics.

Accordingly, the researcher fill-in the data from 26 questionnaires to 26 pairwise comparison matrices (PCMs) with (10) characteristics. Table 5.4 demonstrates a sample of a pair-wise comparison matrix represents the judgements filled by one respondent (R1) in a pair-wise comparison matrix. Reading from table 5.4 below, for each pair of characteristics, the respondent is required to compare between them based on their relative importance towards the stated goal.

Table 5.4 Pair-wise comparison Matrix

R1	ACI	BED	BM	SP	RCI	NCI	OS	BI	ACE	BC
ACI	1	1	2	1	1	1	3	1	1	3
BED	1	1	a=3	1	1	2	3	1	1	2
BM	1/2	b=1/3	1	1/3	1/3	1/3	3	1/3	1/3	1/3
SP	1	1	3	1	1	1	3	1	1	1
RCI	1	1	3	1	1	1	3	1	1	1
NCI	1	1/2	3	1	1	1	3	1	1	1
OS	1/3	1/3	1/3	1/3	1/3	1/3	1	1/3	1/3	1/3
BI	1	1	3	1	1	1	3	1	1	2
ACE	1	1	3	1	1	1	3	1	1	2
BC	1/3	1/2	3	1	1	1	3	1/2	1/2	1

ACI = Audit Committee Independence
BED = Board Expertise Diversity
BM = Board Meetings
SP = Separation of Position
RCI = Remuneration Committee Independence
NCI = Nomination Committee Independence
OS = Ownership Structure
BI = Board Independence
ACE = Audit Committee Expertise
BC: Board Composition

The relative of importance is rated for the characteristics by designating a value between 1 to 9 based on Sa'aty scale, as shown in table 5.3, whereas the reciprocal of this value is designated to the other characteristic of the same pair. For instance, (refer to table 5.4) when the respondent compared BED with BM, the respondent assigned the value 3 to indicate that BED is moderately important than BM. However, the reciprocal of this value, 1/3, is assigned to indicate the opposite rating when the respondent compared BM to BED characteristics. The other pair-wise comparison matrices in the hierarchy were established by following the same process.

After obtaining responses from all the respondents' pair-wise comparison matrices, individual judgements for 26 respondents were gathered to form a single representative judgement for the entire group of respondents. In other words, a single matrix of pair-wise comparison is required to be established to represent the judgements of all respondents about the characteristics. After this, the geometric mean technique was adopted to gather the responses of group judgements. Thus, the geometric means were calculated for each pair of characteristics as judged by the respondents' group using *Microsoft Excel Sheet*.

The researcher used the famous Super-Decision Software to develop the appropriate hierarchical model as depicted in Figure 5.8. The hierarchy comprises the goal at the upper level and the criteria to achieve that goal at the lower level. The goal here is represented by "Good Corporate Governance" or "Effective Corporate

Governance Practices" which is abbreviated as "Good CG", while the criteria are the corporate governance characteristics.

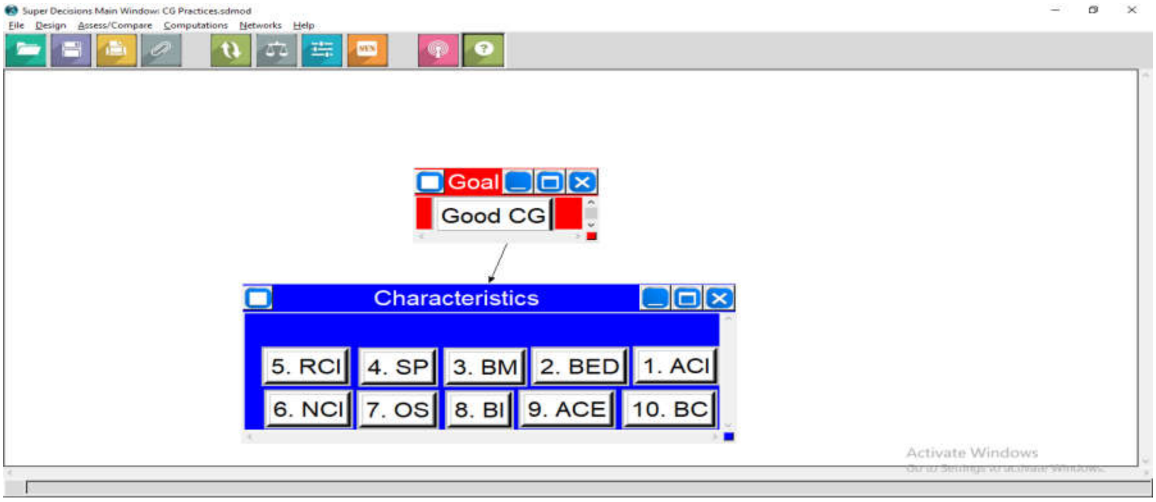


Figure 5.8: A screenshot of the resulted hierarchical model

Finally, the researcher entered the obtained geometric means for each group into the software PCM to calculate the average weights of the characteristics under the study. In this stage, the calculated average weight indicated the ranking of the characteristics. The inconsistency ratio is calculated by the software simultaneously with the ranking of characteristics. If the obtained inconsistency is less than (0.10), the result is accepted. If the obtained inconsistency is greater than (0.10), then the result is not accepted and the inconsistency ratio need to be improved using the same software. These above procedures will be explained in details, in the following section, while applying them to the primary and the secondary groups of respondents.

5.3.1 Prioritization of Corporate Governance Characteristics by All Respondents

5.3.1.1 Respondents' Pairwise Comparison Matrices

As mentioned previously, in order to avoid confusion by respondents in misunderstanding the working mechanism of the PCM, respondents were asked to rank the characteristics directly on the questionnaire (Appendix A), then the researcher filled-in the data provided by respondents in the PCM and proceeded with the analysis. Table 5-5 below is an example of PCM which was filled directly by the researcher from the questionnaire.

Table 5.5: PCM to be filled by the Respondent

	ACI	BED	BM	SP	RCI	NCI	OS	BI	ACE	BC
ACI	1.00									
BED		1.00								
BM			1.00							
SP				1.00						
RCI					1.00					
NCI						1.00				
OS							1.00			
BI								1.00		
ACE									1.00	
BC										1.00

5.3.1.2 Computation of Geometric Mean for the Respondents' Judgement

In this step the researcher calculated the geometric mean for each compared characteristic to the others for all respondents. The geometric means are calculated using Microsoft excel sheet. Since research variables are 10, It is impractical to present, here, all computations of geometric means, thus table 5-6 below shows partial calculation of the geometric mean for Audit Committee Independence (ACI) with respect to other nine characteristics.

Table 5-6: Computation of Geometric Means for Audit Committee Independence (ACI) relative to other nine Characteristics

Respondents	ACI,BED	ACI,BM	ACI,SP	ACI,RCI	ACI,NCI	ACI,OS	ACI,BI	ACI,ACE	ACI,BC
R1	1.00	3.00	1.00	1.00	1.00	3.00	1.00	1.00	3.00
R2	7.00	0.14	5.00	7.00	7.00	9.00	5.00	1.00	1.00
R3	1.00	1.00	1.00	3.00	3.00	9.00	1.00	1.00	1.00
R4	3.00	7.00	5.00	3.00	3.00	1.00	5.00	7.00	3.00
R5	5.00	5.00	5.00	5.00	5.00	7.00	0.20	5.00	7.00
R6	3.00	7.00	7.00	3.00	1.00	7.00	7.00	3.00	7.00
R7	0.20	0.20	0.14	1.00	1.00	5.00	1.00	0.14	0.14
R8	3.00	5.00	1.00	1.00	0.33	3.00	5.00	3.00	3.00
R9	5.00	0.20	0.20	7.00	5.00	7.00	5.00	7.00	5.00
R10	7.00	5.00	3.00	5.00	3.00	7.00	0.33	5.00	7.00
R11	5.00	7.00	5.00	5.00	3.00	5.00	0.33	7.00	7.00
R12	3.00	7.00	3.00	7.00	3.00	5.00	0.20	5.00	5.00
R13	7.00	0.20	0.20	0.20	0.20	0.14	0.14	0.14	5.00
R14	3.00	7.00	0.33	5.00	3.00	0.33	0.14	5.00	5.00
R15	7.00	0.20	0.14	5.00	0.20	0.20	0.14	0.14	0.20
R16	0.20	0.20	5.00	5.00	0.20	5.00	0.20	0.20	0.33

R17	0.20	0.33	0.11	0.33	3.00	7.00	0.11	0.14	0.20
R18	1.00	0.14	1.00	7.00	1.00	0.14	1.00	0.11	0.14
R19	5.00	7.00	0.14	7.00	5.00	7.00	0.14	5.00	7.00
R20	5.00	5.00	0.14	7.00	0.20	7.00	0.20	5.00	7.00
R21	0.14	5.00	5.00	7.00	7.00	7.00	0.14	7.00	0.20
R22	1.00	7.00	5.00	7.00	1.00	9.00	0.14	1.00	1.00
R23	3.00	7.00	0.20	5.00	3.00	3.00	0.20	5.00	3.00
R24	7.00	5.00	0.20	0.33	0.20	0.14	0.20	0.14	0.33
R25	7.00	0.20	5.00	5.00	0.20	7.00	0.20	1.00	7.00
R26	1.00	3.00	1.00	7.00	1.00	7.00	0.33	3.00	3.00
Geometric Mean	**2.12**	**1.63**	**0.98**	**3.15**	**1.30**	**2.84**	**0.46**	**1.40**	**1.75**

5.3.1.3 Computation of Average Weights Using Super-Decision Software

The calculated geometric means in the previous step were transferred from the excel sheet and entered to the super-decision software, PCM, to calculate the average weights of the characteristics under the study. The average weights obtained provide the priorities for the characteristics. The highest and the lowest weights represent the most and the least priorities among the characteristics. In this step, the inconsistency ratio was also calculated simultaneously by the software with the ranking of characteristics. If the obtained inconsistency ratio is less than 0.10, the result is accepted. If the obtained inconsistency is greater than 0.10, then the result is not accepted and the inconsistency ratio need to be improved using the same software.

5.3.1.3.1 Computation of Average Weights for All respondents

Table 5-7 represents the PCM with geometric means for all respondents' judgement.

Table 5.7 - PCM: Geometric Means for All Respondents' Judgements

Characteristics	ACI	BED	BM	SP	RCI	NCI	OS	BI	ACE	BC
ACI	**1.00**	2.12	1.63	0.98	3.15	1.30	2.84	0.46	1.40	1.75
BED		**1.00**	2.59	0.48	2.01	0.61	3.36	0.28	0.63	0.93
BM			**1.00**	0.37	0.66	0.52	1.45	0.21	0.67	0.55
SP				**1.00**	3.31	1.39	3.48	0.59	1.99	1.49
RCI					**1.00**	0.45	1.39	0.21	0.57	0.79
NCI						**1.00**	4.20	0.41	1.45	1.33
OS							**1.00**	0.15	0.27	0.48
BI								**1.00**	4.19	3.61
ACE									**1.00**	0.97
BC										**1.00**

5.3.1.4 Result of Analysis for All Respondents Judgements

The researcher entered the geometric means values above in the comparison section of the software and the resulted average weights of the characteristics are immediately calculated to indicate the ranking of the characteristics. A screenshot of this analysis is taken and shown in figure 5.9 below. The centre represents the comparison facet where the geometric means values are fed. Once the geometric mean values are fed, the average weights of the characteristics are immediately obtained and shown in the right facet with the calculated inconsistency amount. The characteristics are appeared at the left side, the relative importance rates are shown at the right side of the resulted facet, and the inconsistency at the upper side of the result.

It is found that the consistency ratio 0.02542 and since it is less than 0.1, this indicates that the inconsistency value is accepted and no more improvement in the consistency ratio is required.

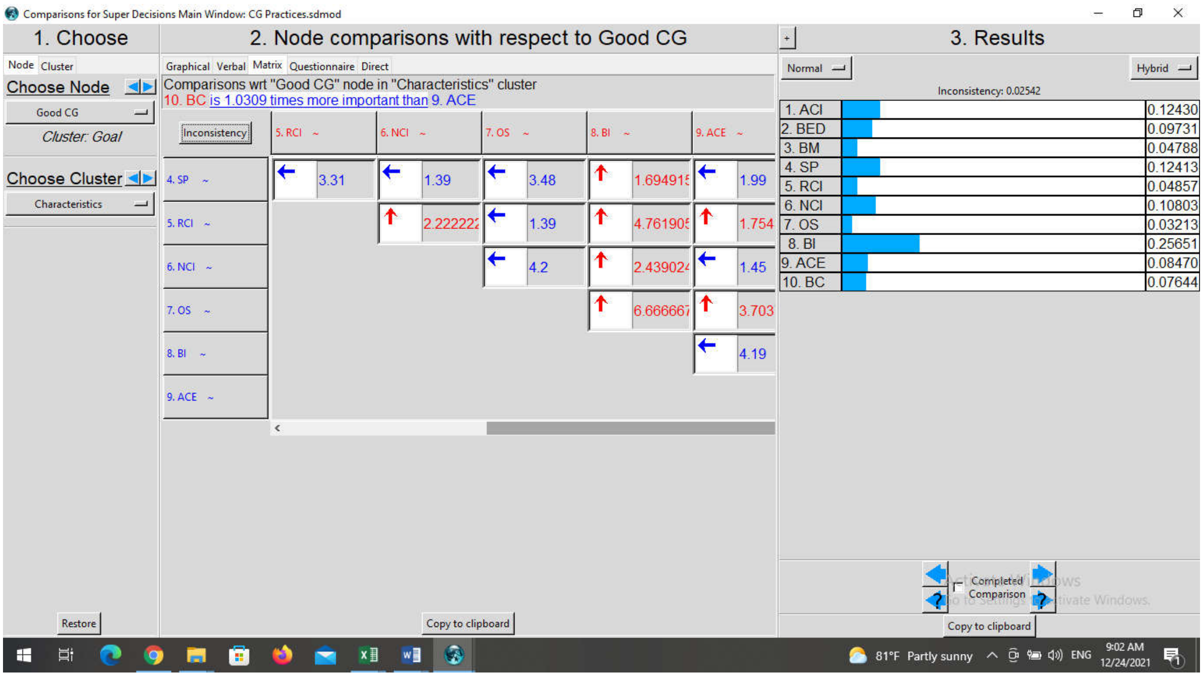


Figure 5.9: A screenshot for the Software PCM and the Result

The resulted average weights from the above analysis provide the priorities for the characteristics. Table 5.8 below lists the relative importance of corporate governance characteristics as judged by all respondents.

Table 5.8: Resulted Average Weights of the Characteristics

Inconsistency Ratio: 0.02542		
No.	**Corporate Governance Characteristics**	**Average Weights**
1	Audit Committee Independence	0.1243
2	Board Expertise Diversity	0.097
3	Board Meetings	0.048
4	Separation of position	0.1241
5	Remuneration Committee Independence	0.049
6	Nomination Committee Independence	0.108
7	Ownership Structure	0.032
8	Board Independence	0.257
9	Audit Committee Expertise	0.084
10	Board Composition	0.076

Based on the calculated average weights above, the ranking of the characteristics is presented in table 5.9 below. It is obvious that the board independence attained 0.257, the highest weight, at the extreme position among other characteristics indicating that it is the most important corporate governance characteristic in promoting good governance practices in SJLCs. It is obvious that most of the respondents give great attention to board independence, audit committee independence and separation of position in enhancing corporate governance practices in SJLCs while the least important, ownership structure with 0.032, is judged by respondents as having the weakest effect on good governance practices in SJLCs.

Table 5.9: Ranking of Corporate Governance Characteristics

PCM Ranking		
No.	**Average Weights**	**Characteristics**
1	0.257	Board Independence
2	0.1243	Audit Committee Independence
3	0.1241	Separation of position
4	0.108	Nomination Committee Independence
5	0.097	Board Expertise Diversity
6	0.084	Audit Committee Expertise
7	0.076	Board Composition
8	0.049	Remuneration Committee Independence
9	0.048	Board Meetings
10	0.032	Ownership Structure

5.3.2 Prioritization of Corporate Governance Characteristics by Subgroups' respondents

The researcher segregated the collected data from respondents into eight subgroups according to nationality: Saudi and non-Saudi, education level: bachelor, master and certificate and specialization: business and finance, Legal affairs and auditing. Accordingly, the prioritization of characteristics for these subgroups is carried as in the previous steps.

5.3.2.1 Prioritization of Corporate Governance Characteristics by Saudis

Table 5.10 below represents the geometric means calculated for the judgements by Saudi.

Table 5.10 - PCM: Geometric Means for Saudi Nationality

	ACI	BED	BM	SP	RCI	NCI	OS	BI	ACE	BC
ACI	1.0	1.16	3.50	0.38	1.57	3.16	4.99	1.85	3.74	3.55
BED		1.0	2.81	1.82	1.72	1.59	5.81	2.22	1.19	1.12
BM			1.0	0.78	0.76	1.33	6.88	0.52	1.47	1.05
SP				1.0	3.94	3.38	6.02	1.24	5.91	1.99
RCI					1.0	1.12	0.99	0.20	0.38	0.98
NCI						1.0	4.66	0.49	4.00	2.14
OS							1.0	0.14	0.18	0.56
BI								1.0	4.21	7.24
ACE									1.0	0.72
BC										1.0

5.3.2.1.1 Result of Analysis

The researcher, as previously mentioned, obtained the average weights of the characteristics using the super-decision software which resulted in ranking of the characteristics. Reading from figure 5.10 above, the ranking of the characteristics is shown at the right side of the figure. The resulted consistency ratio is 0.08709 and since the consistency ratio is less than 0.1, the inconsistency is accepted and no more improvement in the consistency ratio is required. The resulted average weights shown in the analysis provide the ranking for the characteristics.

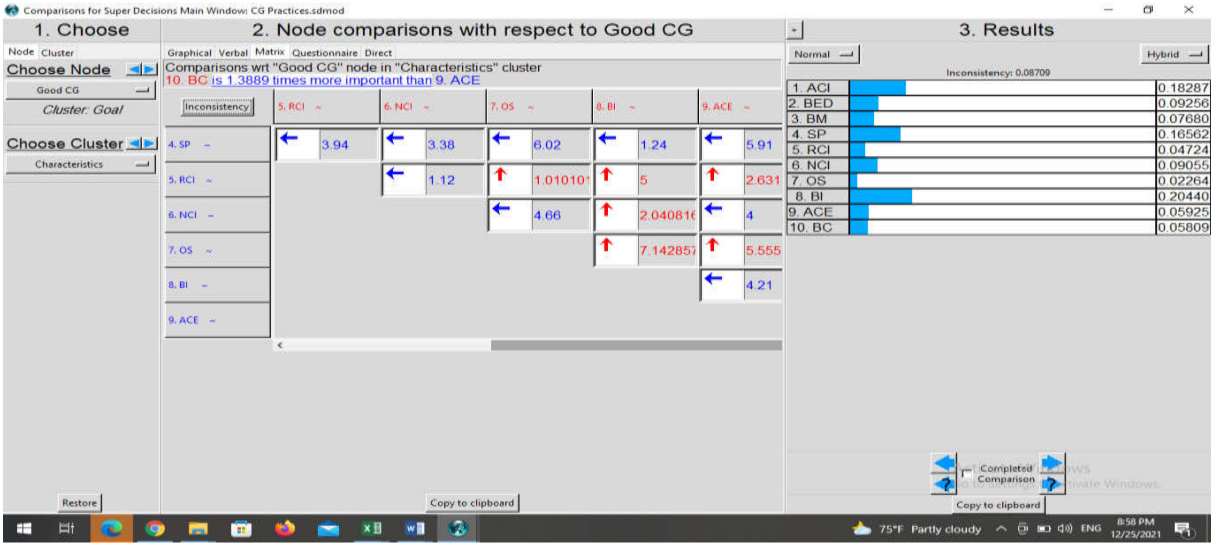


Figure 5.10: A Screenshot for the Software PCM and Result

Table 5.11 below list the obtained weights for each corporate governance characteristics as decided by Saudi respondents.

Table 5.11: Average Weights of the Characteristics

Inconsistency Ratio: 0.08709		
No.	**Corporate Governance Characteristics**	**Average Weights**
1	Audit Committee Independence	0.182
2	Board Expertise Diversity	0.092
3	Board Meetings	0.077
4	Separation of position	0.165
5	Remuneration Committee Independence	0.047
6	Nomination Committee Independence	0.090
7	Ownership Structure	0.022
8	Board Independence	0.204
9	Audit Committee Expertise	0.059
10	Board Composition	0.058

Based on the calculated average weights above, table 5.12 below ranks the characteristics with the priority of the highest average up to the lowest at the bottom. Consequently, the respondents' judgement put board independence at the top of the priorities, with an average weight value of 0.204. This indicates that board independence, according to Saudi respondents, is ranked number one among other governance characteristic. At the extreme bottom, ownership structure shows the least priority with an average weight value of 0.022, indicating that Saudi subgroup decided that ownership structure has the least importance in enhancing good governance practices in SJLCs.

Although board expertise diversity is ranked number four with 0.092 weight, nomination committee independence is about to share this rank with 0.090 average weight. This means that their relative importance in promoting the effective practices of governance almost equal to some extent. Similarly, audit committee expertise and board composition obtained very close average weights of 0.059 and 0.058 respectively, they about to share rank 7, indicating that the relative importance of board composition and audit committee expertise, according to Saudi subgroup, nearly the same in promoting good governance practices in SJLCs.

Table 5.12: Ranking of Corporate Governance Characteristics

PCM Ranking, by Saudis		
No.	**Average Weights**	**Characteristics**
1	0.204	Board Independence
2	0.183	Audit Committee Independence
3	0.165	Separation of position
4	0.092	Board Expertise Diversity
5	0.090	Nomination Committee Independence
6	0.077	Board Meetings
7	0.059	Audit Committee Expertise
8	0.058	Board Composition
9	0.047	Remuneration Committee Independence
10	0.022	Ownership Structure

5.3.2.2 Prioritization of Corporate Governance Characteristics by Non-Saudis

Table 5.13 below represent the geometric means calculated for the judgements by Non-Saudi respondents.

Table 5.13 - PCM: Geometric Means for Non-Saudi Nationality

	ACI	**BED**	**BM**	**SP**	**RCI**	**NCI**	**OS**	**BI**	**ACE**	**BC**
ACI		2.45	1.36	0.77	2.87	1.05	2.49	0.44	1.11	1.77
BED			2.53	0.47	2.09	0.61	2.95	0.25	0.59	0.88
BM				0.31	0.64	0.41	1.00	0.17	0.56	0.47
SP					3.18	1.13	3.05	0.50	1.54	1.40
RCI						0.36	1.50	0.22	0.62	0.75
NCI							4.10	0.39	1.14	1.18
OS								0.15	0.29	0.46
BI									4.18	3.06
ACE										1.05
BC										

5.3.2.2.1 Result of Analysis

Reading from figure 5.11 below, the resulted consistency ratio is 0.01627 which is less than 0.1, the result is accepted and no other trials are required to improve the consistency ratio. The resulted average weights shown in the analysis, provide the ranking for the characteristics.

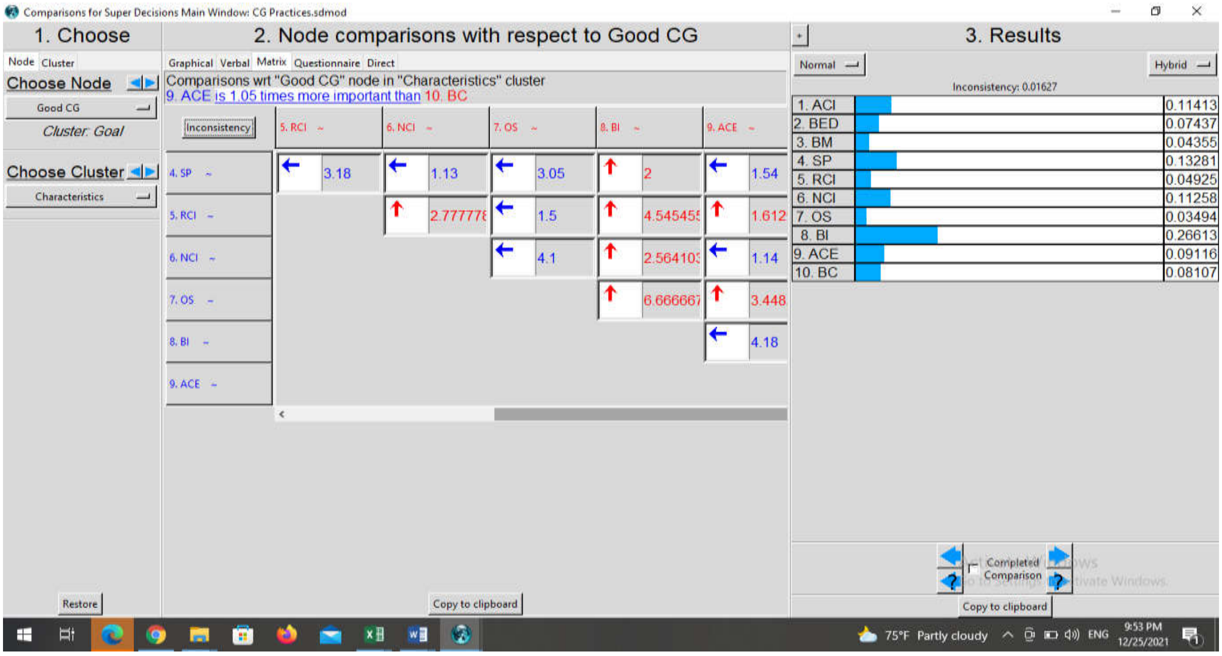


Figure 5.11: A screenshot for the PCM and Result –Non-Saudi, Nationality Subgroup

Table 5.14 lists the average weights of corporate governance characteristics as judged by Non-Saudi respondents.

Table 5.14: Resulted Average Weights of Characteristics

Inconsistency Ratio: 0.01627		
No.	**Corporate Governance Characteristics**	**Average Weights**
1	Audit Committee Independence	0.114
2	Board Expertise Diversity	0.074
3	Board Meetings	0.043
4	Separation of Position	0.133
5	Remuneration Committee Independence	0.049
6	Nomination Committee Independence	0.112
7	Ownership Structure	0.035
8	Board Independence	0.266
9	Audit Committee Expertise	0.091
10	Board Composition	0.081

Given the average weights obtained and presented in the above table, the characteristics are ranked in Table 5.15 below. Following from the table, board independence attained the highest average weight value of 0.226 average, meaning that non-Saudi subgroup decided that the independence of the board has the extreme priority in reinforcing effective governance practices in SJLCs. Board independence characteristic is at the extreme priority because its average weight value of the secondly ranked, separation of position, of 0.133 value almost double that of board independence. At the lowest rank, comes the ownership structure with 0.035 average value, indicating that it is the least important characteristic influencing governance practices as decided by non-Saudi respondents.

Table 5.15: Ranking of Corporate Governance Characteristics

PCM Ranking, by Non-Saudis		
No.	**Average Weights**	**Characteristics**
1	0.266	Board Independence
2	0.133	Separation of position
3	0.114	Audit Committee Independence
4	0.112	Nomination Committee Independence
5	0.091	Audit Committee Expertise
6	0.081	Board Composition
7	0.074	Board Expertise Diversity
8	0.049	Remuneration Committee Independence
9	0.043	Board Meetings
10	0.035	Ownership Structure

5.3.2.3 Prioritization of Corporate Governance Characteristics by Bachelor, Subgroup

Table 5.16 below shows the geometric means calculated for the bachelor, subgroup respondents.

Table 5.16 - PCM: Geometric Means for Bachelor Qualification

	ACI	**BED**	**BM**	**SP**	**RCI**	**NCI**	**OS**	**BI**	**ACE**	**BC**
ACI		2.27	0.81	0.39	4.07	1.51	2.85	0.67	1.07	1.24
BED			2.49	0.43	3.41	1.31	3.77	0.31	0.60	1.13
BM				0.58	0.85	0.43	2.25	0.25	0.80	0.49
SP					2.37	2.98	3.78	0.51	2.33	1.49
RCI						0.36	1.73	0.24	0.51	0.83
NCI							4.47	0.55	1.17	1.46
OS								0.16	0.37	0.42
BI									4.33	3.65
ACE										0.93
BC										

5.3.2.3.1 Result of Analysis

Figure 5.12 below presents the resulted inconsistency amounted to 0.04250. The inconsistency is accepted since it is below than 0.1 and no further efforts is needed to improve it. The calculated average provided the ranking for the characteristics.

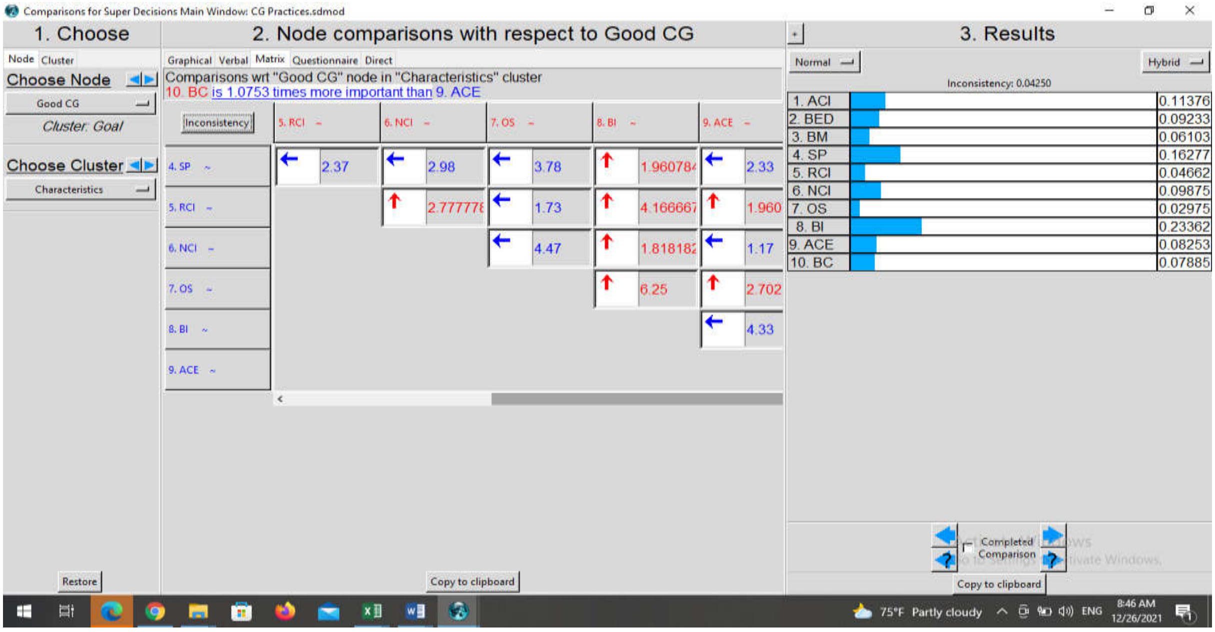


Figure 5.12: A screenshot for the PCM and Result –Bachelor, Education Subgroup

Table 5.17 below list the resulted average weights of corporate governance characteristics as decided by bachelor, subgroup respondents.

Table 5.17: Resulted Average Weights of the Characteristics

Inconsistency Ratio: 0.04250		
No.	**Corporate Governance Characteristics**	**Average Weights**
1	Audit Committee Independence	0.113
2	Board Expertise Diversity	0.092
3	Board Meetings	0.061
4	Separation of position	0.162
5	Remuneration Committee Independence	0.046
6	Nomination Committee Independence	0.098
7	Ownership Structure	0.029
8	Board Independence	0.233
9	Audit Committee Expertise	0.082
10	Board Composition	0.078

According to the above obtained average weight values, table 5.18 below provide the ranking of the corporate governance characteristics as judged by bachelors' subgroup respondents. Reading from the table, board independence extremely ranked number with 0.233 weight which is far higher than others' weights, meaning that it is highly deserved the top rank and hence the highest priority in reinforcing governance practices in SJLCs as per the bachelor subgroup respondents. However, at the lowest rank laid the ownership structure characteristic with only 0.029 average weight, thus, judged by bachelor's subgroup as the least to promote good governance practices in SJLCs.

Table 5.18: Ranking of Corporate Governance Characteristics

PCM Ranking, by Bachelors		
No.	**Average Weights**	**Characteristics**
1	0.233	Board Independence
2	0.162	Separation of Position
3	0.113	Audit Committee Independence
4	0.098	Nomination Committee Independence
5	0.092	Board Expertise Diversity
6	0.082	Audit Committee Expertise
7	0.078	Board Composition
8	0.061	Board Meetings
9	0.046	Remuneration Committee Independence
10	0.029	Ownership Structure

5.3.2.4 Prioritization of Corporate Governance Characteristics by Master, Education subgroup.

Table 5.19 below shows the geometric means calculated for the judgements by Master, education subgroup.

Table 5.19 - PCM: Geometric Means for Master Qualification

	ACI	**BED**	**BM**	**SP**	**RCI**	**NCI**	**OS**	**BI**	**ACE**	**BC**
ACI		2.01	5.37	1.79	3.23	1.81	1.96	0.51	2.85	2.04
BED			4.07	0.56	1.07	0.33	3.22	0.26	0.60	0.63
BM				0.42	0.35	0.58	2.11	0.29	0.65	0.60
SP					3.77	1.62	4.42	1.21	2.83	1.76
RCI						0.68	0.57	0.16	0.39	0.82
NCI							4.42	0.32	2.90	0.93
OS								0.13	0.19	0.38
BI									4.99	5.77
ACE										0.39
BC										

5.3.2.4.1 Result of Analysis

Figure 5.13 below presents the resulted inconsistency of 0.07713. As far as the inconsistency is less than 0.1, the result is approved and no need to do more efforts to minimize it. The obtained average weights were used in ranking the characteristics.

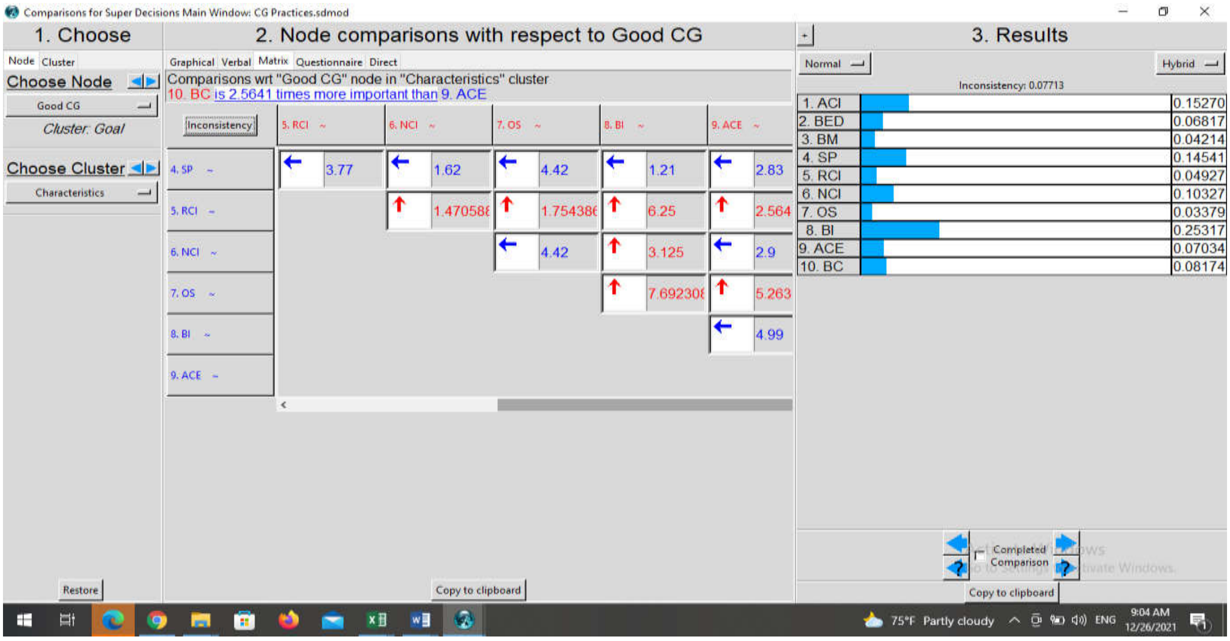


Figure 5.13: A screenshot for the PCM and Result –Master, Education Subgroup

Based on the obtained result, Table 5.20 below shows the average weights of corporate governance characteristics as decided by Master subgroup respondents.

Table 5.20: Resulted Average Weights of the Characteristics

Inconsistency Ratio: 0.07713		
No.	**Corporate Governance Characteristics**	**Average Weights**
1	Audit Committee Independence	0.152
2	Board Expertise Diversity	0.068
3	Board Meetings	0.042
4	Separation of position	0.145
5	Remuneration Committee Independence	0.049
6	Nomination Committee Independence	0.103
7	Ownership Structure	0.033
8	Board Independence	0.253
9	Audit Committee Expertise	0.070
10	Board Composition	0.081

Table 5.21 ranks the characteristics based on the obtained average weight values from the Master subgroup respondents. Reading from the table, board independence achieved the highest extreme value of 0.253 while the second characteristic achieved

only 0.152 weight value, meaning that the independence of the board has a supreme position among other characteristics in enhancing governance practices in SJLCs. The lowest average value is achieved by ownership structure with 0.033 weight value, indicating that this characteristic has very marginal effect among others in promoting good governance practices.

Table 5.21: Ranking of Corporate Governance Characteristics

PCM Ranking, by Master		
No.	**Average Weights**	**Characteristics**
1	0.253	Board Independence
2	0.152	Audit Committee Independence
3	0.145	Separation of position
4	0.103	Nomination Committee Independence
5	0.081	Board Composition
6	0.070	Audit Committee Expertise
7	0.068	Board Expertise Diversity
8	0.049	Remuneration Committee Independence
9	0.042	Board Meeting
10	0.033	Ownership Structure

5.3.2.5 Prioritization of Corporate Governance Characteristics by Certificate, Education subgroup.

Table 5.22 below presents the geometric means calculated for the judgements by Certificate, subgroup.

Table 5-22 – PCM: Geometric Means for Certificate Qualification

	ACI	**BED**	**BM**	**SP**	**RCI**	**NCI**	**OS**	**BI**	**ACE**	**BC**
ACI		2.04	1.41	1.71	2.33	0.84	3.79	0.28	1.08	2.28
BED			1.89	0.50	1.82	0.42	3.06	0.27	0.71	1.00
BM				0.20	0.82	0.58	0.66	0.14	0.56	0.58
SP					4.33	0.53	2.63	0.41	1.28	1.33
RCI						0.42	2.18	0.23	0.83	0.72
NCI							3.76	0.35	1.07	1.57
OS								0.15	0.24	0.65
BI									3.53	2.49
ACE										2.08
BC										

5.3.2.5.1 Result of Analysis

Figure 5.14 below provides the resulted inconsistency of 0.03542 indicating that the consistency the result is reliable since it is less than 0.1 and no need for further improvement. The resulted average weights were used in ranking the characteristics.

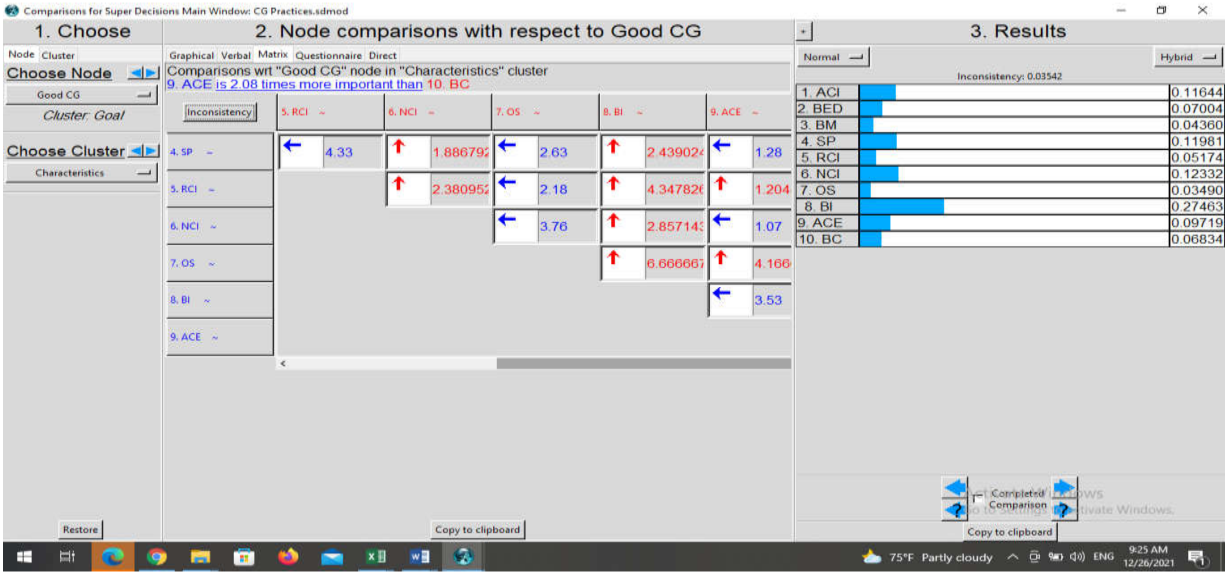


Figure 5.14: A screenshot for the PCM and Result –Certificate, Education Subgroup

Given the obtained result, table 5.23 below lists the average weights of corporate governance characteristics as decided by Certificate subgroup respondents.

Table 5.23: Resulted Average Weights of the Characteristics

Inconsistency Ratio: 0.03542		
No.	**Corporate Governance Characteristics**	**Average Weights**
1	Audit Committee Independence	0.116
2	Board Expertise Diversity	0.070
3	Board Meetings	0.043
4	Separation of position	0.119
5	Remuneration Committee Independence	0.051
6	Nomination Committee Independence	0.123
7	Ownership Structure	0.034
8	Board Independence	0.274
9	Audit Committee Expertise	0.097
10	Board Composition	0.068

Based on the calculated average weights above, table 5.24 below lists the prioritization of the characteristics. According to this subgroup, board independence average weight value is not only scored the greatest value of 0.274 but it is more than double the value of the secondly ranked characteristic, nomination committee independence, of 0.123 meaning that the independence of the board, according to certificate subgroup respondents, is at the extreme top in reinforcing good practices of corporate governance in SJLCs. This subgroup respondents, also, have decided that ownership structure has the least effect on the effectiveness of governance practices due to the smallest average value attained among other characteristics.

Table 5.24: Ranking of Corporate Governance Characteristics

PCM Ranking by Certificate		
No.	**Average Weights**	**Characteristics**
1	0.274	Board Independence
2	0.123	Nomination Committee Independence
3	0.119	Separation of position
4	0.116	Audit Committee Independence
5	0.097	Audit Committee Expertise
6	0.070	Board Expertise Diversity
7	0.068	Board Composition
8	0.051	Remuneration Committee Independence
9	0.043	Board Meetings
10	0.034	Ownership Structure

5.3.2.6 Prioritization of Corporate Governance Characteristics by Business and Finance, Specialization subgroup.

Table 5.25 below lists the geometric means obtained for the judgements by business and finance, specialization subgroup.

Table 5.25 – PCM: Geometric Means for Business and Finance Specialization

	ACI	BED	BM	SP	RCI	NCI	OS	BI	ACE	BC
ACI		1.93	1.84	0.78	1.91	0.84	2.34	0.33	1.04	1.74
BED			1.95	0.50	1.31	0.56	2.70	0.28	0.63	0.84
BM				0.20	0.60	0.73	0.69	0.18	0.38	0.51
SP					3.80	0.91	3.43	0.79	1.36	1.89
RCI						0.32	1.51	0.28	0.83	0.70
NCI							3.80	0.41	1.43	0.89
OS								0.17	0.27	0.52
BI									2.74	2.89
ACE										0.74
BC										

5.3.2.6.1 Result of Analysis

Figure 5.15 below presents the resulted inconsistency of 0.02143 means that the consistency result is reliable since It is less than 0.1 and no need to improve it. The resulted average weights were used in prioritizing the characteristics.

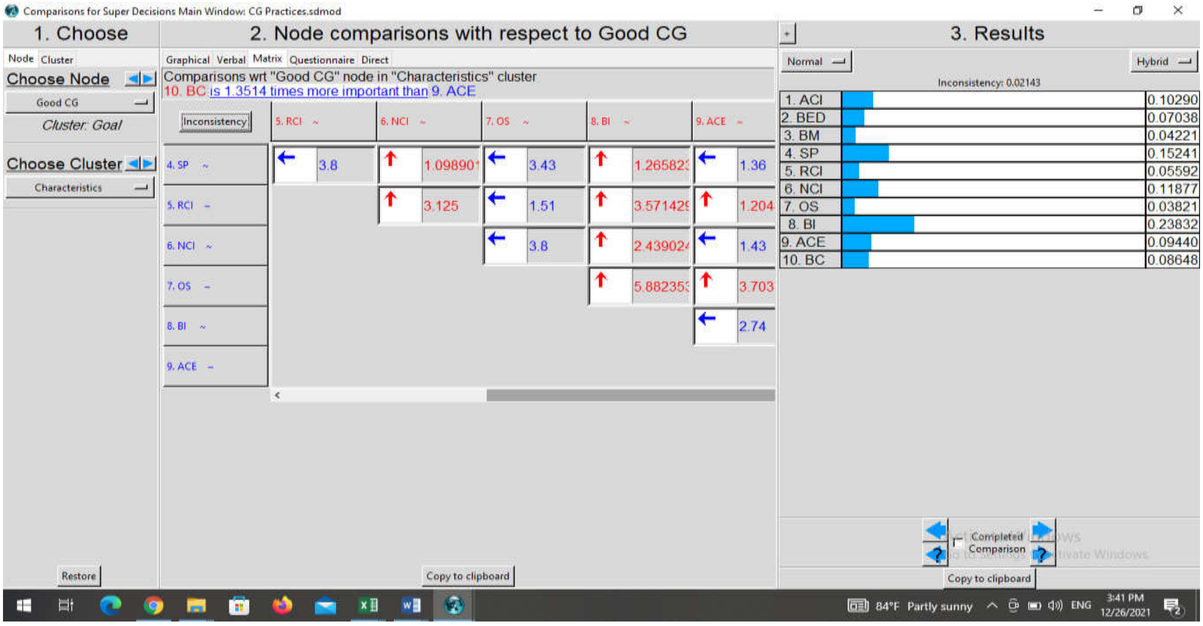


Figure 5.15: A Screenshot for the PCM and Result –Business and Finance, Specialization Subgroup

Based on this result, table 5.26 below lists the average weights of corporate governance characteristics as decided by business and finance, subgroup respondents.

Table 5.26: Resulted Average Weights of the Characteristics

Inconsistency Ratio: 0.02143		
No.	**Corporate Governance Characteristics**	**Average Weights**
1	Audit Committee Independence	0.103
2	Board Expertise Diversity	0.070
3	Board Meetings	0.042
4	Separation of position	0.152
5	Remuneration Committee Independence	0.056
6	Nomination Committee Independence	0.118
7	Ownership Structure	0.038
8	Board Independence	0.238
9	Audit Committee Expertise	0.094
10	Board Composition	0.086

Given the obtained average weight values above, table 5.27 ranks the characteristics to indicate their relative importance in affecting good governance practices. It is found that board independence dominates the highest rank with 0.238

weight value which means that the business and finance subgroup decided that the independence of the board is the most influential characteristic in improving corporate governance activities. However, this subgroup respondents judged that ownership structure as the least important characteristic with only 0.038 weight value, which is interpreted as having the weakest influence on governance practices of SJLCs.

Table 5.27: Ranking of Corporate Governance Characteristics

PCM Ranking, by Business and Finance		
No.	**Average Weights**	**Characteristics**
1	0.238	Board Independence
2	0.152	Separation of Position
3	0.118	Nomination Committee Independence
4	0.103	Audit Committee Independence
5	0.094	Audit Committee Expertise
6	0.086	Board Composition
7	0.070	Board Expertise Diversity
8	0.056	Remuneration Committee Independence
9	0.042	Board Meetings
10	0.038	Ownership Structure

5.3.2.7 Prioritization of Corporate Governance Characteristics by Legal affairs, Specialization subgroup.

Table 5.28 below includes the geometric means that are calculated for the judgements by legal affairs, specialization subgroup.

Table 5.28 – PCM: Geometric Means for Legal Affairs Specialization

	ACI	**BED**	**BM**	**SP**	**RCI**	**NCI**	**OS**	**BI**	**ACE**	**BC**
ACI		1.57	2.36	3.82	4.99	3.61	5.74	0.68	2.50	1.27
BED			2.23	1.10	1.56	0.89	4.92	0.54	1.20	1.99
BM				1.25	0.70	1.76	6.25	0.58	1.38	1.36
SP					2.61	1.91	4.86	0.70	2.43	1.25
RCI						1.53	1.98	0.21	0.45	1.25
NCI							4.46	0.34	1.34	1.44
OS								0.14	0.17	0.44
BI									3.93	5.20
ACE										1.00
BC										

5.3.2.7.1 Result of Analysis

Figure 5.16 below presents the resulted inconsistency of 0.04987 which is less than 0.1, hence the result is reliable and no further effort is needed to lessen it. The resulted average weights below were used in ranking the characteristics.

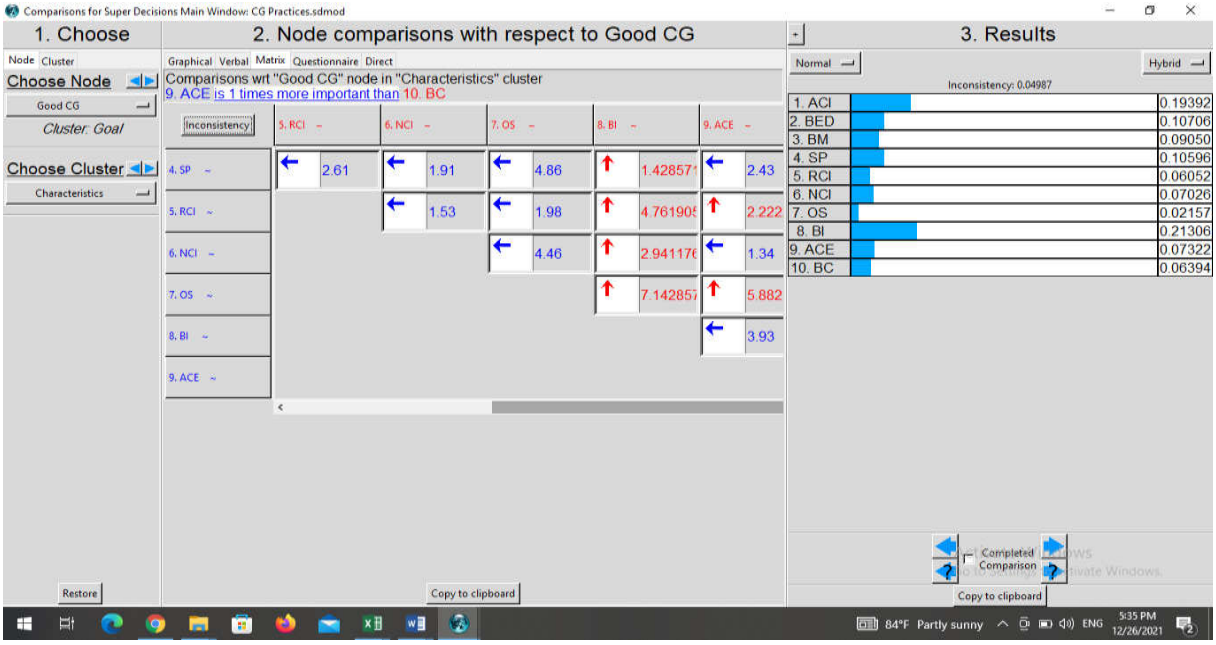


Figure 5.16: A screenshot for the PCM and Result – Legal Affairs, Specialization Subgroup

Given the obtained result from the software above, table 5.29 below lists the average weights of corporate governance characteristics as decided by legal affairs, subgroup respondents.

Table 5.29: Resulted Average Weights of the Characteristics

Inconsistency Ratio: 0.04987		
No.	**Corporate Governance Characteristics**	**Average Weights**
1	Audit Committee Independence	0.193
2	Board Expertise Diversity	0.107
3	Board Meetings	0.090
4	Separation of position	0.106
5	Remuneration Committee Independence	0.060
6	Nomination Committee Independence	0.070
7	Ownership Structure	0.021
8	Board Independence	0.213
9	Audit Committee Expertise	0.073
10	Board Composition	0.064

Based on the obtained average weights above, the prioritization of the characteristics is presented in table 5.30 below. Reading from table, board independence attained the 0.213 average weight and hence ranked number one in enhancing corporate governance characteristics in SJLCs. This means that the legal affairs subgroup decided that the independence of the board members is the highest priority in promoting governance practices in SJLCs. However, the least important characteristic is the ownership structure with only 0.032 weight, indicating that the percentage of shareholdings has the weakest effect in enhancing governance practices.

Table 5.30: Ranking of Corporate Governance Characteristics

PCM Ranking, by Legal Affairs, Subgroup		
No.	**Average Weights**	**Characteristics**
1	0.213	Board Independence
2	0.193	Audit Committee Independence
3	0.107	Board Expertise Diversity
4	0.106	Separation of position
5	0.090	Board Meetings
6	0.073	Audit Committee Expertise
7	0.070	Nomination Committee Independence
8	0.064	Board Composition
9	0.060	Remuneration Committee Independence
10	0.021	Ownership Structure

5.3.2.8 Prioritization of Corporate Governance Characteristics by Auditing, Specialization subgroup.

Table 5.31 below lists the geometric means calculated for the judgements by auditing, specialization subgroup.

Table 5.31 – PCM: Geometric Means for Auditing Specialization

	ACI	**BED**	**BM**	**SP**	**RCI**	**NCI**	**OS**	**BI**	**ACE**	**BC**
ACI		2.70	1.21	0.56	3.70	1.05	2.27	0.49	1.29	2.10
BED			3.53	0.30	3.27	0.53	3.27	0.20	0.45	0.66
BM				0.31	0.69	0.20	1.19	0.14	0.72	0.36
SP					3.37	1.66	2.93	0.43	2.44	1.36
RCI						0.30	1.07	0.17	0.47	0.67
NCI							4.41	0.45	1.53	1.75
OS								0.14	0.34	0.46
BI									6.15	3.55
ACE										1.21
BC										

5.3.2.8.1 Result of Analysis

Figure 5.17 below provides the resulted inconsistency of 0.04005 indicates that the consistency and since It is less than 0.1, the result is reliable and no more improvement in consistency is needed.

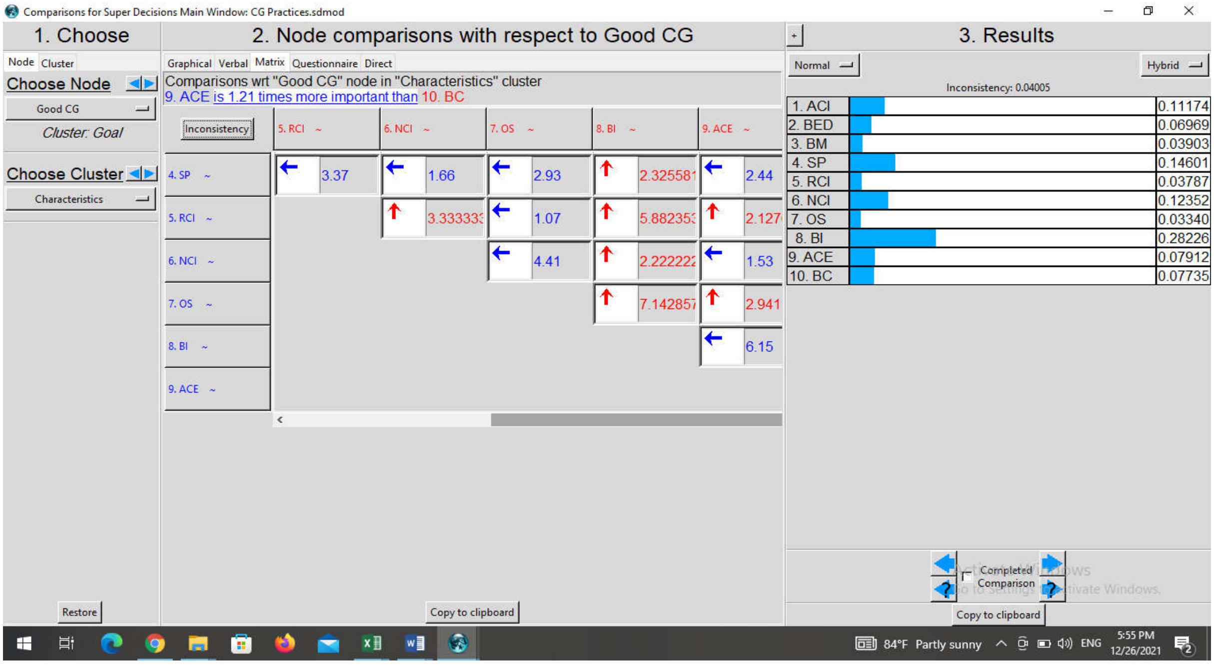


Figure 5.17: A Screenshot for the PCM and Result – Auditing, Specialization Subgroup

Based on this result, table 5.32 below list the average weights of corporate governance characteristics as judged by auditing, subgroup respondents.

Table 5.32: Resulted Average Weights of the Characteristics

Inconsistency Ratio: 0.04005		
No.	**Corporate Governance Characteristics**	**Average Weights**
1	Audit Committee Independence	0.111
2	Board Expertise Diversity	0.069
3	Board Meetings	0.039
4	Separation of position	0.146
5	Remuneration Committee Independence	0.037
6	Nomination Committee Independence	0.123
7	Ownership Structure	0.033
8	Board Independence	0.282
9	Audit Committee Expertise	0.079
10	Board Composition	0.077

Given the calculated average weights above, the prioritization of the characteristics is shown in table 5.33 below. Follow through the table, board independence attained the average weight value of 0.282 that put board independence at the top priority. This value equal almost double the weight value of the separation of position, the secondly ranked characteristic. This indicates that the auditing subgroup has great reliance on board independence in achieving effective corporate governance practices. On the other side, ownership structure is judged by auditing respondents as having least effect in promoting good governance practices.

Table 5.33: Ranking of Corporate Governance Characteristics

PCM Ranking, by Auditing		
No.	**Average Weights**	**Characteristics**
1	0.282	Board Independence
2	0.146	Separation of Position
3	0.123	Nomination Committee Independence
4	0.111	Audit Committee Independence
5	0.079	Audit Committee Expertise
6	0.077	Board Composition
7	0.069	Board Expertise Diversity
8	0.039	Board Meetings
9	0.037	Remuneration Committee Independence
10	0.033	Ownership Structure

5.4 SPEARMAN'S RANK ORDER CORRELATION USING EXCEL

The Spearman rank-order correlation coefficient, is a non-parametric measure to estimate how strong is the association between two sets of variables and to which direction this association moves. It is only relevant to adopt a Spearman's correlation if the variables under measure "matches" two conditions that are needed for Spearman's correlation to obtain a valid result: The two variables should be measured on an ordinal**,** interval **or** ratio scale and there is a unchanged relationship between the two variables (Laerd Statistics, https://statistics.laerd.com).

We adopt the above method to calculate the Ranking Correlation Coefficients (RCC) for sub-groups of respondents by analysing the data collected in terms of characteristics that were ranked in pairs as a result of AHP analysis above. Hence, the analysis involves prioritized characteristics for each pair from demographic data: (Saudi and non-Saudi), (Bachelor and Master), (Bachelor and Certificate), (Master and Certificate), (Business and Finance; and Legal affairs), (Business and finance; and Auditing), (Legal affairs and Auditing). Each pair represents two variables in the analysis, thus the first step in the analysis is to set the data for both variables of the subgroup, next we inserted data in excel to run a Spearman's correlation.

The linear relationship between two variables is measured by correlation. By measuring and relating the variance of each variable, correlation provides an indication of the strength of the relationship. Correlation shows the strength of a relationship between two variables and is expressed numerically by the correlation coefficient. The correlation coefficient's values range between -1.0 and 1.0. If correlation is positive and perfect, this indicates that the correlation coefficient is exactly 1. If correlation is negative and perfect this means that two assets move in opposite directions, while a zero correlation implies no linear relationship at all (Investopedia, https://www.investopedia.com/terms/c/correlation.asp).

The correlation coefficient is also known as the Pearson Correlation Coefficient and it is an estimate of how two variables are associated. The calculation can have a value between 0 and 1. A value of 0 indicates the two variables are highly unassociated and a value of 1 indicates they are highly related. For example, you might have data on distance (kilometers) and time (minutes) for a sample of highways and want to know if these two variables are associated. Intuitively, you would think a highway’s distance and speed are associated, but the correlation coefficient will indicate mathematically how associated or unassociated these are.

The “Correl Function” is specifically designed for calculating the Pearson correlation coefficient in Excel (How to excel, https://www.howtoexcel.org/tutorials/correlation-coefficient/). It is very easy to use correlation formula for Microsoft excel. It takes two ranges of values as the only two arguments. This formula is applied as follows: {= CORREL (variable 1, variable 2)}. The inputs of the two variables need to be fed in the column or row of each variable before applying the function to obtain the result.

5.4.1.1 Nationality Subgroup

As shown from table 5.34, the RCC equal 0.82, indicating highly positive association between the two characteristics according to Saudi versus non-Saudi respondents. In other words, the prioritization of corporate governance characteristics is moving in the same direction as per the nationality subgroup.

Table 5.34: Measuring Association of Ranking between Saudi and Non-Saudi

Ranking Based on Weights and Nationality		
Characteristic	**Saudi**	**Non-Saudi**
ACI	2	3
BED	4	7
BM	6	9
SP	3	2
RCI	9	8
NCI	5	4
OS	10	10
BI	1	1
ACE	7	5
BC	8	6
	Ranking Correlation Coefficient (RCC) = 0.82	

5.4.1.2 Education Subgroup

The education subgroup includes three sets of variables. Reading from the table, the three sets of variables are, Bachelor and Master; Bachelor and certificate; and Master and certificate. The obtained RCCs, as explained from table 5.35, are 0.93, 0.94 and 0.92 respectively, indicating that the association between each set within the education subgroup is extremely positive and moving in the same direction. Thus, according to bachelor, master and certificate respondents ranking of corporate governance characteristics is moving in the same direction.

Table 5.35: Measuring Association of Ranking between Bachelor, Master and Certificate

Ranking Based on Weights and Education						
	Set (1)		**Set (2)**		**Set (3)**	
Characteristic	**Bachelor**	**Master**	**Bachelor**	**Certificat**	**Master**	**Certificat**
ACI	3	2	3	4	2	4
BED	5	7	5	6	7	6
BM	8	9	8	9	9	9
SP	2	3	2	3	3	3
RCI	9	8	9	8	8	8
NCI	4	4	4	2	4	2
OS	10	10	10	10	10	10
BI	1	1	1	1	1	1
ACE	6	6	6	5	6	5
BC	7	5	7	7	5	7
	RCC = 0.93		**RCC = 0.94**		**RCC = 0.92**	

5.4.1.3 Specialization Subgroup

Similar to the education subgroup, the specialization subgroup includes three sets of variables. As shown from table 5.36, the three sets are, Business and finance; Legal affairs and Auditing. The resulted RCCs for the three sets are 0.62, 0.99 and 0.67 respectively, indicating that the association between each set within the education subgroup is positive and moving in the same direction.

Table 5.36: Measuring Association of Ranking between Business Finance, Legal Affairs and Auditing

Ranking Based on Weights and Specialization						
	Set (1)		Set (2)		Set (3)	
Characteristic	**Business& Finance**	**Legal Affairs**	**Business& Finance**	**Auditing**	**Legal Affairs**	**Auditing**
ACI	4	2	4	4	2	4
BED	7	3	7	7	3	7
BM	9	5	9	8	5	8
SP	2	4	2	2	4	2
RCI	8	9	8	9	9	9
NCI	3	7	3	3	7	3
OS	10	10	10	10	10	10
BI	1	1	1	1	1	1
ACE	5	6	5	5	6	5
BC	6	8	6	6	8	6
	RCC = 0.62		**RCC = 0.99**		**RCC = 0.67**	

association between Business and finance and Auditing is almost perfect with 0.99 RCC indicating that there are strong association between them. However, although the obtained RCCs for the other two sets of variables are positive, the association between them is comparatively moderate or weak.

5.5 CORPORATE GOVERNANCE HIERARCHICAL MODEL

In chapter four, the qualitative finding phase, the researcher has identified 16 corporate governance characteristics which are perceived by respondents as the criteria to enhance effective corporate governance practices in SJLCs. In the current chapter, the quantitative part, and based on their weights of occurrence, only 10 characteristics were selected for the ranking purposes using AHP analysis. AHP analysis, used the calculated geometric means for each characteristic relative to others, to produce average weight values for these characteristics. The obtained average values provide the prioritization for our criteria. Consequently, all respondents' judgement prioritized the 10 characteristics based on their relative importance in enhancing good governance practices in SJLCs. Based on this result, figure 5.18 below represents the developed hierarchical model for corporate governance practices in SJLCs as judged by all respondents. The upper level of the hierarchy (Effective Corporate Governance Practices) represents the model goal while the lower level represents the criteria (Corporate Governance Characteristics). The Characteristics are depicted in the figure in short forms, each with its relative weight between brackets.

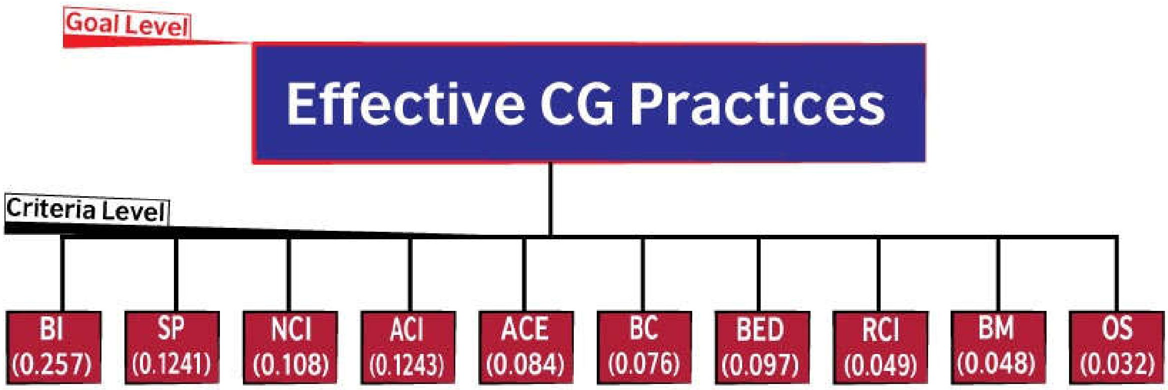


Figure 5.18: The Hierarchical Model; Criteria Level: BI: Board Independence, SP: Separation of Position, NCI: Nomination Committee Independence, ACE: Audit Committee Expertise, BC: Board Composition, BED: Board Expertise Diversity, RCI: Remuneration Committee Independence, BM: Board Meetings, OS: Ownership Structure

5.6 CHAPTER SUMMARY

The aims of this chapter are to answer RQ2 and RQ3. In answering RQ2 it provides the quantitative analysis and findings while in answering RQ3 it provides the developed hierarchical model that represents the corporate governance characteristics to enhance effective corporate governance practices. This chapter is divided into five sections, section one introducing the chapter, section two discusses the respondents background, section three which represent the main part, presents the detailed AHP analysis for the quantitative data and findings using super-decision software. Section four devoted to measure the association between variables of subgroups using spearman's rank order correlation. The final section provides the developed hierarchical model for effective corporate governance practices in SJLCs.

CHAPTER SIX

CONCLUSION AND RECOMMENDATION

6.1 INTRODUCTION

This chapter covers two main parts: the conclusion and summary and the recommendation. In the conclusion and summary part, the researcher provides summary for the previous five chapters that include introduction, literature review, methodology, qualitative findings and quantitative findings. In the recommendation part, the emphasis mainly on discussion of findings and providing propositions and suggestion for future reformation and improvement.

6.2 CONCLUSION AND SUMMARY

This study aimed, firstly, at investigating corporate experts' opinions on corporate governance characteristics that constitute effective corporate governance practices in SJLCs. Secondly, the study examined the ranking or relative importance of these identified characteristics by adopting AHP analytical technique. The study examined these characteristics from the perspective of experts such as auditors, legal advisors, and business and finance specialist as major players in corporate governance practices. Finally, a new hierarchical model was developed based on the AHP analysis.

In chapter one, in the problem statement section, the researcher highlighted on the following points: good governance practices, in Saudi Arabia, has become a critical issue needed to achieve sustainability and development, corporate governance has been considered by Saudi authorities as an urgent mechanism required to eliminate corruption and malpractices in different business activities and a family- controlled block shareholding plays a major role in slowing corporate governance's regulatory compliance framework, the reliance upon "comply or explain" led majority shareholders to exercise control over the rights of minority.

The study involves three research objectives. The first Objective aimed at identifying the corporate governance characteristics that are perceived by experts as strengthening corporate governance practices. The second Objective focused on ranking the relative importance of the identified corporate governance characteristics. The third objective emphasized on developing a new hierarchical model for achieving effective corporate governance practices in SJLCs.

This study is significant in the sense that the effort exerted on it focused primarily on reinforcing the implementation of effective corporate governance practices in SJLCs. The new revision on Saudi Regulations on Corporate Governance (SRCG) guarantees better shareholders' rights. The study provides a good opportunity for stakeholders to be aware of what's critical to improve governance practices in their companies.

In chapter two, the researcher reviewed the previous literature on corporate governance. First, the researcher reviewed the existing literature and introduced with the evolution and concept of corporate governance. Many scholars proved that corporate governance is not a modern topic but it has become recently more appropriate issue due to the latest financial crisis in 2008. They also asserted that there is no a single worldwide definition agreed upon but most of the definitions argued in the literature indicate, at the end, the same meaning. In section 4, the researcher discussed three corporate governance theories that include agency theory, stewardship theory and stakeholder theory. Three corporate governance models were also reviewed in section 5; they are Anglo-Saxon model, Continental-European model and Japanese model.

In section 6, the researcher discussed, elaborately, the global perspectives on corporate governance, that involve six OECD principles of corporate governance that include: (1) ensuring the basis for an effective Corporate governance framework. (2) the rights and equitable treatment of shareholders and key ownership functions. (3) institutional investors, stock markets and Other intermediaries. (4) the role of stakeholders in corporate governance. (5) transparency and disclosure. (5) the responsibility of the board.

Section 7 of the chapter devoted to corporate governance framework in Saudi Arabia. The main issues highlighted are Basic Law of Governance, Capital Market Authority (CMA) and Saudi Regulations on Corporate Governance (SRCG). Three subtitles on the features of SRCG 2017 were discussed in detail, they include: Responsibility of the Board, Rights of Shareholders and General Disclosure and Transparency.

Section 8 focused mainly on the criteria of good corporate governance practices. In reviewing the literature, the researcher focused on thirteen criteria as a general list with an intention that it will be re-identified later by the respondents. These criteria include: BS, BI, BED, SP, BGD, BM, ACI, ACM, ACE, RCI, NCI, and finally OS. Then, the researcher, in section 9 presented a research conceptual framework that represented a proposed hierarchy model for effective corporate governance practices in SJLCs. Finally, research gap was detected and presented in section 10.

In chapter three, the study covers the research methodology whereas different research designs were discussed. The study adopted a mixed research method that uses the case study and survey research as most popular non-experimental research methods. Both qualitative and quantitative approaches were employed. The qualitative part explored the research variables (characteristics) while the quantitative approach focused on finding out the relative importance (prioritization) of these characteristics using AHP analysis. The Spearman's Rank Order Correlation was used to calculate Ranking Correlation Coefficients (RCC) for subgroups of respondents. The purpose is to test the association between each set of subgroups with respect to their judgement on the prioritized 10 characteristics and the direction of that association.

In chapter four, the researcher conducted the qualitative data collection, data analysis and findings. The data were collected from experts of corporate governance field using interview instrument to answer RQ1. The thematic analysis was adopted to identify characteristics of effective corporate governance practices. The thematic analysis resulted in 16 characteristics which were later weighed and filter to 10 characteristics for the purpose of quantitative analysis.

In chapter 5, quantitative data were collected, analysed and findings were obtained. Data were collected using the questionnaire instrument to answer RQ2. The AHP technique was adopted using the Super-Decision software for ranking the corporate governance characteristics. The analysis involves segregating 26 respondents into three main subgroups based on their nationality, education qualification and specialization. The findings from AHP analysis, for the main group, resulted in providing the relative importance of the 10 characteristics in promoting good governance practices in SJLCs. AHP analysis conducted also for subgroups of respondents. All the conducted analyses, steadily, proved that board independence is at the top priority while ownership structure at the lowest rank.

In this chapter also, the researcher provided the answer for RQ3: What's the appropriate hierarchical model for effective corporate governance practices in SJLCs? The findings obtained, are completely linked to the qualitative and quantitative findings obtained previously in chapter 4 and 5 respectively. Thus, the produced hierarchical model represents a practical model where each of the 10 characteristics were depicted at the criteria level of the hierarchy with their obtained average weight values to indicate to what extent each corporate governance characteristic contributes to achieve the overall goal. Chapter 6 focuses on conclusion, discussion and future recommendations. Limitations of the study and future recommendations were also discussed.

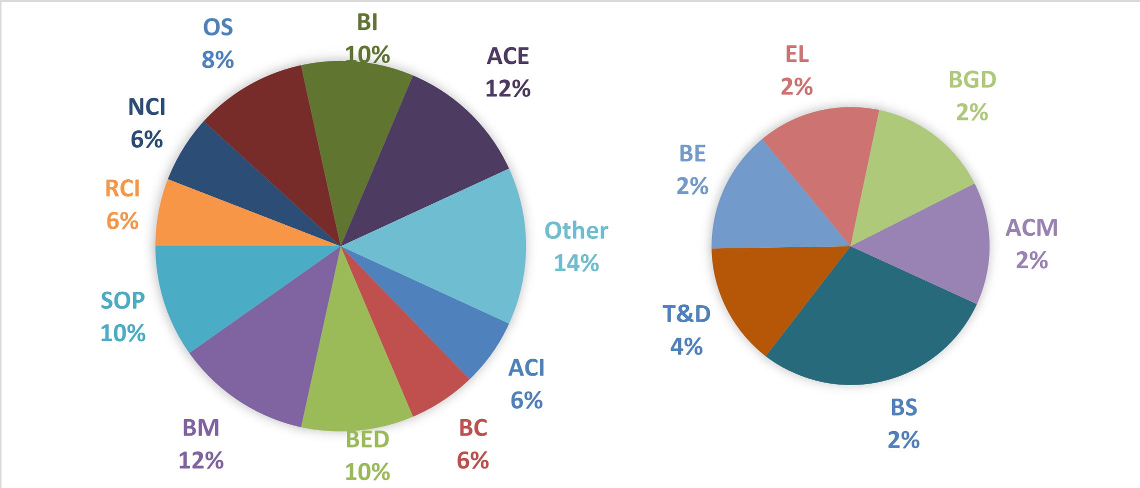
6.3 DISCUSSION OF QUALITATIVE FINDINGS

The findings from thematic analysis were obtained in three steps. The respondents provided numerous opinions relating to characteristics that are expected to enhance the effectiveness of corporate governance practices in SJLCs. By adopting the thematic analysis, the process of generating the themes and characteristics were based on interviewees' opinions and perceptions. The thematic analysis resulted in 16 characteristics that represent effective corporate governance practices in SJLCs. They include (1) ACI (2) BS (3) BED (4) BM (5) SP (6) RCI (7) NCI (8) OS (9) BI (10) ACE (11) BC (12) T & D (13) BE (14) EL (15) BGD and (16) ACM. The researcher weighed these characteristics according to how frequently they were perceived by the respondents. Table 6.1 and figure 6.1 below explained the comparative weighting of (16) resulted characteristics.

Table 6.1: The Weighing of Corporate Governance Characteristics

No.	Characteristics		Frequency	Percent %
1	Audit Committee Independence	(ACI)	3	6%
2	Board Composition	(BC)	3	6%
3	Board Expertise Diversity	(BED)	5	10%
4	Board Meetings	(BM)	6	12%
5	Separation of Positions	(SP)	5	10%
6	Remuneration Committee Independence	(RCI)	3	6%
7	Nomination Committee Independence	(NCI)	3	6%
8	Ownership Structure	(OS)	4	8%
9	Board Independence	(BI)	5	10%
10	Audit Committee Expertise	(ACE)	6	12%
11	Board Structure	(BS)	2	4%
12	Transparency and Disclosure	(T&D)	1	2%
13	Board Empowerment	(BE)	1	2%
14	Ethical Leadership	(EL)	1	2%
15	Board Gender Diversity	(BGD)	1	2%
16	Audit Committee Meetings	(ACM)	1	2%
Total Frequencies			**50**	**100%**

Figure 6.1: The Frequencies of Corporate Governance Characteristics



The following section discusses the obtained characteristics based on the thematic result as explained in table 6.1 and figure 6.1.

6.3.1 Audit Committee Independence

According to table 6.1, 3 respondents of 50, represented by 6% perceived that audit committee independence is a corporate governance criterion that contributes to good corporate governance practices in SJLCs. This result is supported by CMA, the Saudi regulatory body, that requires at least one of its members and the chairman are independent and that none of the executive team are part of this committee. This level of independency in this committee is expected to provide good corporate governance practices in SJLCs. This result is also compatible with the opinion of a senior legal advisor who explained that the CMA enhances the independency of audit committee and asserted that the new amendments require that audit committee members to be appointed by shareholders and not by the board as was the case previously.

6.3.2 Board Composition

Reading from the table above, 3 respondents or 6% of the respondents opined that board composition has positive impact on corporate governance practices. This is because CMA regulations stated that at least third of the board should be non-executive directors and at least two board members are independent. Thus, board composition is inevitable in order to achieve effective corporate governance practices due to the need to form it from a specified percent of members.

6.3.3 Board Expertise Diversity

10% of respondents explained that board expertise is important as a characteristic to strengthen the corporate governance practices. A manager of a corporate governance department informed that in order to have a very effective board to enhance corporate governance practices, this requires a careful selection process of board members. This process should guarantee that a selected board member should have diversified expertise and qualifications. A senior specialized in legal affairs informed that for the board to be effective, board members should have varying qualifications and sufficient knowledge that at least cover specialization such as finance, auditing, legal and others.

6.3.4 Board Meetings

According to table 6.1, 12% of the respondents indicated that board meetings criterion has the capacity to enhance board performance and hence overall corporate governance practices. A legal advisor asserted that board meetings is not just about attending the meetings without being effective and achieving its goals. A senior staff explained that, board meetings is an important characteristic to boost corporate governance performance and practices. As per CMA regulations, the following must be met: 1) the board shall hold regular scheduled meetings to carry out its duties effectively, and also held meetings when necessary. 2) the board shall hold at least four meetings annually i.e. one meeting quarterly.

6.3.5 Separation of Position

Like board executive diversity, separation of position scores 10% among respondents to indicate that the separation of CEO role from the chairman role is an essential criterion in supporting board independency and in segregating the executive role from the control and oversight responsibility. In case that the CEO position is held by the chairperson of a board, conflict of interest will be created conflict because the CEO is voting on his or her own compensation. To avoid this conflict of interests, the CMA regulations do not permit to hold a chairman position and any executive position at the same time in a company including the CEO position, the managing director or the general manager.

6.3.6 Remuneration Committee Independence

The remuneration committee independence has scored 6% as a crucial corporate governance characteristic. To achieve this level of independency within this committee, the CMA regulations requires that the members of the remuneration committee shall not be executives, providing that at least one of them is independent. A corporate governance manager stated that the independency of the remuneration committee is very crucial and as per CMA regulations, it is not allowed to appoint one of the executive team within it.

6.3.7 Nomination Committee Independence

6% or 3 respondents agreed that nomination committee independence is an effective characteristic in enhancing good corporate governance practices. This is due to its independency role in electing board members for the general assembly to select them. According to CMA, regulations do not permit to hire any executive as part of the nomination committee staff because they are oversighting and evaluating their performance. Another point is that the general assembly provide the nomination committee with certain policies, roles and laws for selecting its members beside the term of their membership and their compensations.

6.3.8 Ownership Structure

Ownership structure with 8% among other characteristics is considered by respondents as an influential factor in strengthening the corporate governance characteristics. According to CMA (2021) if an independent director owns 5% or more of the shares of the company or if he/she is a representative of a legal person that owns 5% or more of the shares this will invalidate the independence requirement of an independent director and he/she's no longer independent. One of the respondents confirms that diversity in shareholdings is very important because it minimizes the domination by the majority at the expense of the minority.

6.3.9 Board Independence

The board independence scores 10% among other characteristics and this refers to its relative importance in enhancing good practices of corporate governance activities. According to CMA regulations, an independent board member needs to participate effectively in respect of company strategies, policies, performance and hiring members of the executive management team. Beside ensuring that company's interests and its owners are taken into considerations and given care priority if there are any conflicts of interest. In his opinion, a corporate governance specialist, what support corporate governance practices is to have a balance between independent board members and shareholders. If you don't have sufficient independent board member you couldn't protect the rights of other shareholders.

6.3.10 Audit Committee Expertise

The audit committee expertise was perceived by 12% respondents as a major factor in improving the effectiveness of corporate governance practices in SJLCs. Four main expertise issues need to be considered when dealing with this committee: the external audit, internal audit, compliance and financial statements. One of the respondents stated that audit committee is very important in the sense that their members should possess high qualifications with financial, auditing and risk management background. Based on CMA regulations, audit committee size range from three to five members who are required to have sufficient financial background, auditing, risk management and governance.

6.3.11 Board Size

Board size is defined as the total number of directors on the board. Only 2% of the respondents considered board size as an influential factor in supporting good governance practices. Although there's no generally accepted size of board members, the regulating authorities require that any listed company shall specify the size of the board and the members shall not exceed eleven and not less than three.

6.3.12 Transparency and Disclosure

Although transparency and disclosure are one of the famous four pillars of corporate governance, two respondents (4%) perceived it an important factor in enhancing corporate governance practices in SJLCs. Thus, among other characteristics, transparency is perceived by other respondents as not a major issue, and this might be justified in the sense that transparency is classified by respondents as a corporate governance output rather a characteristic.

6.3.13 Board Empowerment

Board empowerment indicates that external directors have the power and independence to control the performance of senior executives; to influence them, to alter the strategic direction of the firm if the performance does not satisfy the board's expectations; and, in the most extreme cases, to change corporate leadership. It is obvious from table 6.1 above that the issue of board empowerment was raised by only one interviewee (1%). According to the reviewed literature "board empowerment" is not considered as a characteristic or a criterion to influence corporate governance practices. As per the CMA regulations, this issue is not highlighted as part of the requirements.

6.3.14 Ethical Leadership

Ethical leadership was also discussed by one respondent who considered it as an important element to strengthen corporate governance practices. A senior corporate governance specialist confirmed that the compliance to corporate governance regulations and laws cannot function well without having ethical leadership. It is argued that the role of governance is to ensure that the ethical culture within the company is aligned to the strategy set by the governing department through the implementation of relevant policies and practices. Despite this opinion regarding the role of ethics in boosting corporate governance practices, only one respondent shared this view.

6.3.15 Board Gender Diversity

Board gender diversity is a controversial issue among respondents. Most respondents agreed that board gender diversity is not a significant issue in corporate governance practices but it is a matter of board member proficiency. Only one respondent is very enthusiastic towards board gender diversity as a significant factor to enhance good governance practices.

6.3.16 Audit Committee Meetings

Only (1%) of the respondents decided that ACM is an influential criterion in improving corporate governance effectiveness in SJLCs. The local regulations require audit committee to meet periodically, at least four meetings per the financial year. The audit committee should also meet periodically with external auditor and internal auditor, if any. Although audit committee meeting is a well-known corporate governance factor in the context of the existing literature and within corporate governance regulations and principles, only one respondent considered it as a significant issue in enhancing good governance practices.

6.4 Discussion of Quantitative Findings

The quantitative part of this study is conducted mainly to prioritize the characteristics of effective corporate governance practices which were already identified in the qualitative part, and to develop an appropriate hierarchical model for effective good corporate governance in SJLCs. Prioritizing of these characteristics is implemented by adopting AHP analytical technique to answer research question two (RQ2): What is the relative importance of the characteristics that enhance corporate governance practices in SJLCs? The hierarchical model is obtained after the ranking task to answer research question three (RQ3): What's the appropriate hierarchical model for effective corporate governance practices in SJLCs?

In the quantitative part, the researcher aimed at prioritizing the 16 identified characteristics resulted from adopting the thematic analysis. Out of the 16 identified characteristic, the researcher selected only 10 characteristics to apply AHP analysis for prioritizing them. This decision was taken by the researcher due to two reasons: 1) there are 6 characteristics has very low frequencies, range from 1% to 4% indicating that they are perceived by respondents as having marginal effect in corporate governance practices in SJLCs, 2) AHP technique has a limited capacity of accepting only 10 factors as maximum. Accordingly, the researcher excluded 6 characteristics that scored the lowest frequency compared to others, namely: BS, T&D, BE, EL, BGD & ACM.

Consequently, the researcher applied the AHP analytical technique using the questionnaire to collect quantitative data from 26 respondents who are professionals in corporate governance with different qualifications and specializations in SJLCs. Results from AHP obtained the ranking of the characteristics (RQ) and developed a new hierarchical model (RQ3).

6.4.1 Respondents Profile Findings

The respondents' demographic data include six categories; gender, nationality, age group, marital status, educational level, and specialization. Table 6.3 below, explains the respondents background analysis. From this table, most of the respondents are males represented by 88%. Out of twenty-six respondents only five are Saudi represented by only 19% while the non-Saudi represent the majority by 81%. Most of the age group are above 30 years' old who are represented by more than 92% while only 8% are between 21 to 30 years. The marital category shows that the majority of category are married with 88% while the non-married are only 12%.

The qualification level category is grouped into 3 sub-categories: the bachelor or degree, master and certificate holders. Most of respondents in this category are post graduated; 35% have professional certificates, 27% are master holders while bachelor holders represented by only 38%. The specialization category shows that the majority are specialized in auditing field with 42%, next are the specialists in business and finance represented by 35% and finally the legal and affair specialization is represented by only 23%.

6.4.2 AHP Analysis and Findings

To implement AHP analysis, only (26) respondents were asked to compare between the characteristics based on their relative importance using the Saa'aty (1/9, 9) Ratio Scale. The researcher specified four steps for conducting the AHP analysis. In step 1, the researcher fill-in the data from the questionnaire to the pairwise comparison matrix (PCM) with (10) characteristics (Table 5-2). In step 2, the geometric means were calculated for each pair of characteristics as perceived by respondents using Microsoft excel sheet. Step 3 involves establishing the hierarchical model using the super-decision software as shown in figure 5.6. In step 4, the calculated geometric means were transferred from the excel sheet and entered to software PCM to calculate the average weights of the characteristics under the study.

The inconsistency ratio is calculated by the software simultaneously with the ranking of characteristics. If the obtained inconsistency is less than (0.10), the result is accepted or otherwise the ratio needs to be improved using the same software.

The quantitative findings obtained in chapter five, can be summarized in table 6.4 below for effective discussion.

Table 6.2: Comparative Ranking of Characteristics Among Different Respondents Groups

	Main Group	Saudi	Non-Saudi	Bachelor	Master	Certificate	Business/Finance	Auditing	Legal
ACI	2	2	3	3	2	4	4	2	4
BED	5	4	7	5	7	6	7	3	7
BM	9	6	9	8	9	9	9	5	8
SP	3	3	2	2	3	3	2	4	2
RCI	8	9	8	9	8	8	8	9	9
NCI	4	5	4	4	4	2	3	7	3
OS	10	10	10	10	10	10	10	10	10
BI	1	1	1	1	1	1	1	1	1
ACE	6	7	5	6	6	5	5	6	5
BC	7	8	6	7	5	7	6	8	6

6.4.2.1 Board Independence (BI)

Reading from table 6.3 above, it is obvious that the result of ranking board independence by main group, as number one important, is compatible with the results obtained from all subgroups. It is also worthy to mention that the average weights obtained for board independence were sufficiently higher than the weights of all other characteristics, indicating that board independence is one of the major characteristics that enhance effective corporate governance practices.

6.4.2.2 Ownership Structure (OS)

As shown from the table, ownership structure is at the lowest rank in main group and all other subgroups, indicating that ownership structure is the least important characteristic among others in strengthening good corporate governance practice.

6.4.2.3 Audit Committee Independence (ACI)

The findings show that main group and other three subgroups: Saudi, Master and legal affairs, ranked audit committee independence as number two characteristic indicating that It is the second characteristics to enhance effective corporate governance practices. The non-Saudi and bachelor subgroups ranked it at level three while certificate, business & finance and auditing are agreed in rank it as number four. It is obvious that the results to rank audit committee independence by subgroups including main group are ranks two, three and four. The resulted ranks are closely related indicating that audit committee independence still dominates relatively high importance among other characteristics.

6.4.2.4 Separation of Position (SP)

Non-Saudi, bachelor, auditing and business and finance subgroups ranked separation of position at level two, indicating that It is the second characteristic in supporting good corporate governance practices. Although this characteristic is ranked differently by subgroups still ranking ranges from level two to three for all subgroups including main groups except the legal affairs subgroup ranked it number four characteristic.

6.4.2.5 Nomination Committee Independence (NCI)

The nomination committee independence is classified at rank four by main group, non-Saudi, bachelor and master subgroups. The Saudi classified it number five characteristic, the business and finance ranked it number three while the certificate ranked it number two. Legal subgroup ranked it number seven.

6.4.2.6 Board Expertise Diversity (BED)

The main group and bachelor subgroup ranked board expertise diversity number five, thus according to them the board expertise diversity is at the middle among others to enhance effective corporate governance practices. Legal affairs subgroup prioritizes it more important at rank three while non-Saudi, master and auditing ranked it less important at rank seven.

6.4.2.7 Audit Committee Expertise (ACE)

The main group, bachelor, master and legal affairs subgroups ranked the audit committee expertise number six, Other subgroups either ranked the characteristic number five or seven.

6.4.2.8 Board Composition (BC)

According to main group, board composition dominates rank number seven which is also shared by bachelor and certificate subgroups.

6.4.2.9 Remuneration Committee Independence (RCI)

All respondents, non-Saudi, master, certificate and business and finance subgroups classified RCI number eight characteristic while the rest ranked it number nine. This indicates that this characteristic is relatively less important compared to others and it is only relatively important than ownership structure and board meeting.

6.4.2.10 Board Meetings (BM)

Board meetings is ranked number nine by main group and other four subgroups. Accordingly, it is just relatively important than the least important characteristic, the ownership structure.

6.5 LIMITATIONS OF THE STUDY

As previously discussed in the literature, the nature of this research is limited and constrained by many factors involved in corporate governance practices and environment worldwide. One of the major issues is the existence of regulations and rules issued by the concerned bodies to govern and guide the practices activities of corporate governance within the context of listed companies.

However, since the CMA represents the main regulatory body of SJLCs, and the sole reference in complying with corporate governance regulations and laws, the study subjects who are experts in governance matters are constrained with those principles and regulations issued by the CMA. Despite that each company has its own discretion to establish internal policies and procedures and benefits from others' experiences inside or outside the Kingdom, still their opinions and views are more or less influenced by the CMA guidance and control.

Consequently, given the challenges faced by the listed companies in complying with these rules and regulations, the practice might have great influence in limiting the conceptual thinking of the experts towards better and effective corporate governance practices. Thus, the respondents' opinions on corporate governance practice were to a great extent linked to CMA regulations more than to what's right and wrong or to what's logic and illogic.

In addition, the AHP method has a limited analytical capacity which is (10) factors at maximum and that's why the researcher excluded six characteristics with least frequencies. The small frequency doesn't indicate that these characteristics are not important and they might play major complementary roles with other characteristics.

The researcher investigated the experts who are specialized in auditing, legal affairs and business and finance employees while the field of corporate governance includes other people such as executive teams, individual shareholders, minority shareholders and board members. Hence lacking the opinions of these categories limit the findings of the research.

6.6 RECOMMENDATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The following paragraphs provide recommendations are suggestions for enhancing future research.

Identifying corporate governance characteristics, irrespective of the research instrument and type of analysis adopted, requires more intensive efforts to list as much as characteristics not only from the existing literature but also from the main source of corporate governance rules and regulations that heavily influence the practice and hence the opinions and decisions of corporate governance professionals.

Prioritization of characteristics using AHP analytical tool, that has limited capacity of (10) characteristics, is impractical for future research. Thus, some efforts are necessary to find out alternative prioritization analytical tools.

In future research, the opinions of all groups who are influencing the corporate governance practices, such as executive teams, minority shareholders, major shareholders and board members, need to be considered in identifying and prioritizing corporate governance characteristics.

6.7 CHAPTER SUMMARY

This chapter, the final, represents the summary, conclusion and recommendation part of this research. At the beginning, the researcher provided overview on the previous five chapters. Then, the briefing on qualitative and quantitative findings is presented followed with discussion on findings. The researcher then provided some points on the limitations of the study. Finally, the researcher suggested some recommendations for future research.

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APPENDICES

APPENDIX (A)

Interview Questions

The aim of this study is to identify and prioritize the corporate governance characteristics that enhance corporate governance practices from the corporate governance experts' perspectives, i.e. obtaining evidence from various corporate experts. The purpose of the interview is to find out judgement on how effective are the existing corporate governance practices. Particularly, which corporate governance characteristics do you believe are important in enhancing corporate governance practices and do the existing amended regulations have sufficiently covered and take into consideration these characteristics.

1. How would you define effective or good corporate governance?
2. The conducted literature has provided sufficient background on corporate governance attributes or characteristics? Which of them are enhancing good corporate governance practices?
3. The OECD principles of good corporate governance and their effective role in developing and enhancing the current practices. Do they cover all the characteristics or attributes mentioned in question 2 above?
4. From the existing regulations, there are several corporate governance attributes included in them. What attributes included in this list are more important? Why do you think they are important?
5. Are these attributes compatible with your definition in assessing the effectiveness corporate governance? Do they address effective corporate governance well? If not, why not?
6. Are there any other characteristics or attributes of corporate governance that have not been included in the current Saudi corporate governance regulations that you would like to add? Why are these attributes included?
7. Now, after all these answers what are the most important attributes or characteristics that enhance good or effective corporate governance practices?

APPENDIX (B)

Table B1: Generated Themes from Respondents' Opinions

Respondent	Main Idea	Generated Theme	Characteristic
1	Audit committee is an opened eye of owners and the non-independence indicates non-compliance	The audit committee need to be independent	Audit committee independence
	Number of board members must be logic not less than 5 and not more than 11	Having odd number to avoid non-independence	Board size
	At least in the remuneration committee 2 must be independent board members and one from the executives	Independent remuneration committee supports fairness of the remuneration	Remuneration committee independence
	The nomination committee involves in nominating independent board members	This committee enhances board independence	Nomination committee independence
	Expertise of directors upgrade the level of CG	Expertise of directors enhances CG	Diversity of directors' expertise
	Board meetings must be effective, not just attend the meeting	Board meetings highly influence the CG	Board meetings
	Separate the CEO from chairman position	CEO duality is disastrous	Separation of power
	Ownership structure should ensure that board members not to own many shares	Ownership structure enhances CG	Ownership structure
2	The governance depends on the experiences and knowledge of board members	Effective board requires knowledge and expertise	Diversity of directors' expertise
	If board members have personal interests this is against independency	Regular check of board independency is important	Board independence
	Effective meetings should satisfy certain requirements	Meeting agenda, meeting timing, attendance, etc	Board meetings
	Audit committee concerns about main issues like internal and external audit, compliance, financial outcomes, etc.	Members should be qualified with appropriate size	Audit committee expertise
	Duality of power is not allowed by CMA	Separation of power is essential for oversight	Separation of power
3	NEDs is required for effective board	At least 3rd of board NEDs	Board composition
	Board meetings should be effective	Board meetings should meet certain criteria	Board meetings
	Audit committee independent from board and executive management	They report directly to shareholders	Audit committee independence
	Transparency and disclosure are very crucial	They are important for CG	Transparency and disclosure
4	Select board member to be diversified	Diversified in qualifications	Diversity of directors' expertise
	It is not allowed to hire an executive in remuneration committee	Remuneration committee independence is important	Remuneration committee independence
	It is not allowed to hire an executive in nomination committee	Nomination committee independence is important	Nomination committee independence

	Audit committee members need to have financial, auditing and risk background	Members should have varying knowledge & skills	Audit committee expertise
	Having fragmented ownership of shares affect the control function	Concentration of shares in one place support stability	Ownership structure
	Empowering the board is a major issue	Board access to information & materials	Board empowerment
	The heart of CG cannot be reached unless you believe in CG itself	leaders to comply ethically with CG rules & laws	Ethical compliance
5	Best combination of independent & expert board members	You need one 3rd non-executive directors	Board independence
	Independency of audit committee is essential	The audit committee is empowered by law	Audit committee independence
	The need to have good policy with respect to transparency	Access of information by board, shareholders, etc	Transparency and disclosure
	Audit committee size is not issue but the quality of its members	diversified specialization of audit committee members	Audit committee expertise
	Society made of 50% a 50% so you need a voice of woman	I think we need at least one woman in the board	Board gender diversity
	Remuneration committee influence transparency and fairness	Executives are not allowed to be part of it	Remuneration committee independence
	Nomination committee influence transparency and accountability	It recommends board members	Nomination committee independence
6	It is good to have majority of board members independent	Their independence reduces interests conflict	Board independence
	Separation of power is important	CEO duality is not allowed	Separation of power
	Board meetings in terms of number & time	To comply with CG rules	Board meetings
	Focus on audit committee independency means ignore their expertise	Expertise of audit committee is important	Audit committee expertise
	Audit committee meetings report to board	Meetings enhances transparency and disclosure	Audit committee meetings
7	To check board independency, we make survey to ensure no conflict of interests	Avoiding conflicts will guarantee independence	Board independence
	Board size is not important but the majority of board	Majority influences good decisions	Ownership structure
	Directors' expertise is important to ensure they're functioning well	Their experiences and skills should be diversified	Diversity of directors' expertise
	Resigned CEO cannot be a chairman before 2 years elapsed	Division of power ensures no conflict of interests	Separation of power
	A good and well-prepared agenda & timing of meeting is crucial	Board meetings enhance performance evaluation	Board meetings
	You want to have audit committee members with different qualifications	Diversity of audit committee members	Audit committee expertise
8	Balance between independent board members & shareholders	Sufficient independent board members	Board independence

	Board structure is more important than board size	Board composition solve problem of minority	Board composition
	Ownership structure may affect board independence	Ownership concentration reduces transparency	Ownership structure
9	Composition of board needs to include both non-executives and independent members	Majority of members must be non-executives	Board composition
	In board meetings the discussion is freely or independently	meetings support transparency and disclosure	Board meetings
	Audit committee should have specialists in different fields like finance, audit, legal etc.	Qualifications and experiences are essential	Audit committee expertise
	Board functions cover different fields when dealing with committees and executives	Diversifying qualification is important board members	Diversity of directors' expertise
	By definition one person cannot occupy dual position as a CEO and chairman	It enhances independency & accountability	Separation of power

APPENDIX (C)

A SURVEY FOR EFFECTIVE CORPORATE GOVERNANCE PRACTICES IN SAUDI JOINT STOCK COMPANIES: IDENTIFICATION & PRIORITIZATION OF FACTORS

You are kindly requested to complete this questionnaire. All information given will be treated as confidential. I would like to express my gratitude for spending your valuable time to answer this questionnaire.

If you have any questions about this questionnaire, please contact the researcher at (0565990756) or email to: imhaydoob@gmail.com

SECTION A: PROFILE OF RESPONDENT

Q1 Gender

☐ Male ☐ Female

Q2 Nationality of respondent

☐ Saudi Non-Saudi ☐

Q3 Age Group

☐ 21-30 years ☐ 31-40 years

☐ 41-50 years ☐ 51 years and above

Q4 Marital Status

☐ Married ☐ Single ☐ Divorced

Q5 Educational level

☐ Certificate ☐ Professional ☐ Bachelors

☐ Masters ☐ PhD

Q6 Your Position

____

Q7 Your Specialization

☐ Business & Finance ☐ Legal Affairs ☐ Auditing

Q8 Your Working Experience

__________________ years

Guidelines to Answer the Questionnaire

List of Corporate Governance Characteristic to Enhance Good Corporate Governance Practices

No.	Characteristics	No.	Characteristics
1	Audit Committee Independence	6	Nomination Committee Independence
2	Board Expertise Diversity	7	Ownership Structure
3	Board Meetings	8	Board Independence
4	Separation of Power	9	Audit Committee Expertise
5	Remuneration Committee	10	Board Composition

List of Importance Judgment to be Rated by Respondents

Judgment of Importance	Numerical Rating
Equal Importance	**1**
Equal to Moderate Importance	2
Moderate Importance	**3**
Moderate to Strong Importance	4
Strong Importance	**5**
Strong to Very Strong Importance	6
Very Strong Importance	**7**
Very Strong to Extremely Strong Importance	8
Extreme Importance	**9**

Example: (this example has been provided to explain the structure of the questionnaires)

For each statement below, please COMPARE the relative IMPORTANCE of two characteristics with respect to the goal, which is "Effective Corporate Governance Practices".

CHOOSE and CIRCLE ONLY ONE NUMBER per row by using the following scale:

1 = EQUAL 3 = MODERATE 5 = STRONG 7 = VERY STRONG 9 = EXTREME

Board Meeting	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	**Board Independence**

In the above case, it is assumed that the respondent has perceived that '**Board Meeting**' is **STRONGLY MORE IMPORTANT** than '**Board Independence**', that's why **'5'** has been circled in the side of **Board Meeting**.

1 = EQUAL 3 = MODERATE 5 = STRONG 7 = VERY STRONG 9 = EXTREME

Board Meeting	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	**Board Independence**

On the other hand, if the respondent perceives that '**Board Independence**' is '**VERY STRONGLY MORE IMPORTANT**' than '**Board Meeting**', then **'7'** should be circled at the side of '**Board Independence**', as shown below.

SECTION B: Characteristics of Effective Corporate Governance Practices

For each statement below, please COMPARE the relative IMPORTANCE with respect to: GOAL which is "The Effective Corporate Governance Practices in Saudi Joint Stock Companies". CHOOSE and CIRCLE ONLY ONE NUMBER per row by using the following scale:

1= EQUAL 3 = MODERATE 5 = STRONG 7 = VERY STRONG 9 = EXTREME

1	Audit Committee	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Board Expertise
2	Audit Committee	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Board Meeting
3	Audit Committee	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Separation of Power
4	Audit Committee	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Remuneratio n Committee
5	Audit Committee	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Nomination Committee
6	Audit Committee	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Ownership Structure
7	Audit Committee	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Board Independence
8	Audit Committee	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Audit Committee
9	Audit Committee	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Board Composition
10	Board Expertise	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Board Meeting
11	Board Expertise	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Separation of Power
12	Board Expertise	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Remuneratio n Committee
13	Board Expertise	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Nomination Committee
14	Board Expertise	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Ownership Structure
15	Board Expertise	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Board Independence
16	Board Expertise	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Audit Committee
17	Board Expertise	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Board Composition
18	Board Meeting	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Separation of Power

19	Board Meeting	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Remuneration Committee
20	Board Meeting	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Nomination Committee
21	Board Meeting	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Ownership Structure
22	Board Meeting	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Board Independence
23	Board Meeting	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Audit Committee
24	Board Meeting	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Board Composition
25	Separation of Power	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Remuneration Committee
26	Separation of Power	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Nomination Committee
27	Separation of Power	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Ownership Structure
28	Separation of Power	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Board Independence
29	Separation of Power	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Audit Committee
30	Separation of Power	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Board Composition
31	Remuneration Committee	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Nomination Committee
32	Remuneration Committee	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Ownership Structure
33	Remuneration Committee	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Board Independence
34	Remuneration Committee	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Audit Committee
35	Remuneration Committee	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Board Composition
36	Nomination Committee	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Ownership Structure
37	Nomination Committee	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Board Independence
38	Nomination Committee	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Audit Committee
39	Nomination Committee	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Board Composition
40	Ownership Structure	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Board Independence
41	Ownership Structure	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Audit Committee
42	Ownership Structure	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Board Composition
43	Board Independence	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	Audit Committee
44	Board Independence	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Board Composition
45	Audit Committee	9	8	7	6	5	4	3	2	**1**	2	3	4	5	6	7	8	9	Board Composition