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THE AMERICAN
UNIVERSITY IN CAIRO

SCHOOL OF
BUSINESS

The Effect of Corporate Governance on Firm Performance: The Case of Arab Spring in the Middle East

**A Thesis Submitted to
The Department of Management**

In Partial Fulfillment of the Requirements for the Degree of

MASTER OF SCIENCE IN FINANCE

By:

Michael M. Mahmoud

Under the Supervision of:

Dr. Mohamed Basuony

February 2017

Abstract

This study investigates the impact of the separate elements of corporate governance on enterprise financial performance explained in three separate models (ROA, ROE, and Debt Ratio) for non-financial companies present within the S&P Pan Arab Composite Index. The data on corporate governance choices includes 225 firms for ten years from 2006 to 2015 gathered from ORBIS, Reuters Eikon, Datastream, as well as, annual and board reports. The firms included in this study are all listed respective to their country's stock exchange, which are present in eleven Arab countries namely: Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia and United Arab Emirates. The corporate governance variables are divided into board structure variables (which includes Board size, Board independence, Duality Separation, and Diversity), ownership structure variables (which includes Ownership concentration, Direct ownership, Institutional ownership, and Foreign ownership), and controlled variables (which includes Firm size, Firm age, Industry type, Auditor type, as well as country Foreign exchange, Inward FDI, Outward FDI, GDP and Revolution). Furthermore, the topic attempts to understand the significance of the Arab Spring uprising on firm performance using the ROA and ROE measurements and debt ratio as a measurement of firm leverage. Furthermore, the data is used to compare the corporate governance variables five years before the Arab Spring uprising to the five years during/after the uprising.

Regression results are demonstrated in the form of models. Model 1 shows the effect of corporate governance on firm performance measured by ROA. Results show that there is a significant positive relationship with board size, institutional ownership, audit type on firm performance measured by ROA, also there a significant negative relationship with duality, foreign ownership, firm size and the revolution variable on firm performance measured by ROA. Model 2 shows the effect of corporate governance on firm performance measured by ROE. Results show that there is a significant positive relationship with board size, institutional ownership, audit type on firm performance measured by ROE, also there a significant negative relationship with duality, firm size and the revolution variable on firm performance measured by ROE. Model 3 shows the effect of corporate governance on firm performance measured by Debt Ratio. Results show that there is a significant positive relationship with director ownership, foreign ownership, firm size, foreign exchange rate and the revolution variable on firm

performance measured by Debt Ratio, also there a significant negative relationship with duality, institutional ownership and firm age on firm performance measured by ROE.

After conducting Mann-Whitney U test, results shows that the variables ROA, ROE, ownership concentration, director ownership, institutional ownership, foreign ownership, firm size, firm age, foreign exchange rate, outward foreign direct investment, inward foreign direct investment and GDP are all statistically significant. The variables ROA, ROE, foreign exchange rate, outward foreign direct investment and inward foreign direct investment were a higher mean rank before the Arab Spring uprising compared to during/after the Arab Spring uprising. On the other hand, the variables ownership concentration, director ownership, institutional ownership, foreign ownership, firm size, firm age and GDP were a higher mean rank during/after the Arab Spring uprising compared to before the Arab Spring uprising.

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CHAPTER 1: INTRODUCTION

1. Introduction

Corporate Governance commonly refers to the established codes and guidelines that determine how a company should function and operate. The company's board of directors implements the corporate governance process by approving and constant reviewing of such guidelines, as well as, make sure that it is aligned with the company's regulatory practices, direction, and performance.

Corporate governance guidelines specify the rights, as well as, power distribution of a company's stakeholders with emphasis on three different types of groups, board of directors, shareholders, and company management. Such practices and guidelines that are implemented are to ensure the company operates ethically and optimally as possible. (Brink, 2011)

Claessens (2006) states a definition of corporate governance falls into two different categories. The first category is concerned with a set of corporate behavior, which is measured by performance, efficiency, and growth. The second category is following an ideal or standard regulatory practice, which is derived from the legal system and financial market regulations. A major and commonly referred to definition of corporate governance within literature and commonly recognized codes for corporate governance is that it's a system by which firms are directed and controlled (Demirag, 1998; Karagiorgos et al., 2010; The Cadbury Report, 1992; OECD, 2004).

There is an uncertainty factor from shareholders regarding board of directors' decisions, and whether the management and judgment of the directors is aligned with the interest of the shareholders. Such uncertainty exists because shareholders are not always aware of the thought process and decision making of the board of directors, which creates a gap between both parties. To solve this gap, the corporate governance mechanism, as stated by Becht, Bolton, Roell (2003), secures the rights of shareholders by it determined governmental rules and regulations. Hence, corporate governance represents the bridge that fills the relationship gap between shareholders and the board of directors (Emile et al., 2014).

The importance corporate Governance has been cited to have an impact on a firm's performance and valuation, as stated by Becht, Bolton, Roell (2003), which is considered to greatly affect

shareholders interest within the firm. Since one of the tasks for the board of directors is to secure the rights of the stockholders within the corporation, it is highly significant to investigate the characteristics of the board and its effects on corporate performance.

Research and literature review suggests that poor quality of corporate governance leads to poor performance among corporate entities (O'Regan et al., 2004). Interestingly, there is relatively little paid attention to the developments in the Pan-Arab region, especially after the uprising of the Arab Spring that has swept different parts of the region. Also, there is relatively little or limited empirical evidence known about Pan-Arab firms involvement in business and finance along with the issues related to board effectiveness, considering the region contains rich, uprising, and emerging markets. Also, the effectiveness of corporate governance variables present within Pan-Arab firm is questionable with little literature review for reference that only covers firms from single countries or limited number of grouped countries instead of covering the entire Arab region.

The implementation of corporate governance frameworks in the Middle East has been growing and undergone a substantial evolution over the past decade. The improvement of policy and law regulations, execution of corporate governance rules and guidelines and the development of market regulators in the Middle Eastern region has been tremendous over the years. (Amico, 2014)

Even though the application of corporate governance present within Pan-Arab countries is under development, corporate bodies must support new initiatives and legislations, as well as, constant improvement and revision of the corporate governance code throughout the region in order to enhance firm competitiveness and effectiveness. The real challenge is the development and application of effective governance practices and mechanisms which will ensure greater transparency and will further facilitate innovation among business operations within the region (Baydoun et al, 2012).

Despite constant reforms and demands being made, socio-economic and political challenges has arisen as a result of the Arab Spring aftermath that has swept the entire region. The Arab Spring uprisings have blamed weak governance implementation, absence of accountability and policies

serving certain groups and not serving the general public. The widespread of corruption and embedded mal-governance has influenced the citizens of the affected countries to undergo transformation by redefine their social contracts with their governments and rebuild their trust in their institutions. However, if these challenges are properly addressed, it should lead to even further corporate governance reform.

In this paper, different corporate governance variables along with financial data of Pan-Arab firms will be reviewed to measure and analyze the effectiveness of corporate governance and its significance to the firm's performance, and also, comparing the corporate governance variables five years before the Arab Spring uprising to the five years during/after the uprising. The study tests this through regression analysis (OLS) adopted by using the statistical package (SPSS) in order to understand the relationship between the independent variables (board of directors and ownership structure), controlled variables including macroeconomic variables, and dependent variables. This includes 225 listed non-financial firms from eleven Pan-Arab countries that were gathered from the S&P Dow Jones Pan Arab Composite Index.

The corporate governance mechanisms chosen and discussed in this paper are as follows. The independent corporate governance variables are; board size, board independence, CEO duality, female directors on board, ownership concentration, director ownership, institutional ownership, and foreign ownership. The controlled corporate governance variables are; firm size, firm age, industry type, auditor type, foreign exchange rate (FX), inward and outward foreign direct investment, gross domestic product (GDP) and a revolution variable accounting for during/after and before the Arab Spring uprising of the year 2011. The dependent variables or firm performance is measured by return on assets and return on equity; these ratios are used extensively in the literature as measures of profits. Also, the debt ratio, which is measured by long term and short term debt to total assets, is used to capture the leverage of the firm.

This paper is organized as follows. Chapter 1 includes a brief introduction for the study, research question and variables. Chapter 2 explores the origins and different interpreted meanings of corporate governance, the fundamental theories associated with corporate governance, the commonly recognized corporate governance codes and guidelines, and a brief summary on corporate governance in the Middle East specifically in Pan-Arab countries. Chapter 3 reviews

the existing empirical research on the effect of corporate governance variables on firm performance, different methodological approaches, and their findings that will lead to the study's hypothesis development. Chapter 4 discusses the methodological approach for the study, the population and sample selection, the different sources used for the data collection, the definitions and measurements for the variables used for this study and the research method that will be used. Chapter 5 reports the findings and analysis of the hypothesis testing for each of the three models used, as well as reporting the results from Mann-Whitney U Test. Finally, Chapter 6 summarizes and concludes the study, as well as, mentions research limitations, quality of information and proposed recommendation for future research.

CHAPTER 2: LITERATURE REVIEW

2. Literature Review

2.1. History and Definition

The discussion of the history of corporate governance should be initiated by discussing the background of corporations, which is traced back to the middle ages until the industrial revolution. Firms in its current form are a product of a semi-governmental form of a kingdom created for a specific trading purpose. Modern firms in their current state later evolved from a single individual sponsorship into a financing arrangement controlled by a group of people with similar interest that devoted huge capital investments in order to feed the firm's investment needs to achieve firm sustainability and expansion. (Adelopo, 2013)

As ownership developments were unfolding, it was important to understand and observe the firms structure and operation. A study by Berle and Mean's (1932) attracted devotion to issues of governance by suggesting as corporations expand and become bigger, there is a clear separation between firm owners and their management and there should a form of a bond between both parties. (Adelopo, 2013)

Studies by Jensen and Meckling (1976) and Fama (1980) suggested the possibility of conflicts of interest between firm management, the insiders who are in control, and investors, the outside owners which have no direct role over management, which launched discussions on corporate governance (Adelopo, 2013).

Recently, discussion on corporate governance has been widely used professionally and academically and has gained popularity due to the corporate collapses as a result of conflicts of interest, poor ethics and corporate dishonesty and fragile internal controls and risk assessment, despite corporate governance has no generally accepted or precise definition that could be agreed upon. The disagreement could be as a result of its capability of many uses and applications where the term cuts through many disciplines such as management, law, behavioral science and humanities which are used in both private and business world and relevant to business of governments. (Razzaee, 2009; Adelopo, 2013)

The term's definition is changed when approached by people with a different discipline and view. The complexity in capturing an agreeable definition of corporate governance along with its diversity of its applications can be best explained in the following quotation by Maw et al. (1994):

“Some commentators take too narrow a view, and say it (Corporate Governance) is the fancy term for the way in which directors and auditors handle their responsibilities towards shareholders. Others use the expression as if it were synonymous with shareholder democracy. Corporate governance is a topic recently conceived, as yet ill-defined, and consequently blurred at the edges. Corporate governance as a subject, as an objective, or as a regime to be followed for the good of shareholders, employees, customers, bankers, and indeed for the reputation and standing of our nation and its economy.” (Maw et al., 1994: Page 1)

Others have attempted to point out a more robust definition for the term. According to Cadbury (1992), *“Corporate governance is the system by which institutions are directed and controlled. Boards of directors are responsible for the governance of their institutions. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place”*.

The OECD (2004) advisory group explains the definition of corporate governance that it *“is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.”*

The Basel Committee (2010) defines corporate governance, specifically for banks and financial institutions, as *“the manner in which the business and affairs of individual financial institutions are governed by their boards of directors and senior management.”*

Furthermore, Karagiorgos et al. (2010) defined corporate governance as “*the total of operations and controls of the institution or as an overall structured system of principles according to which an institution operates and is organized, managed and controlled.*”

On the other hand, Shleifer and Vishny (1997) described corporate governance might deal with the ways in which suppliers of finance to institutions ensure themselves of getting a return on their investment. Also, Sternberg (1998) defined corporate governance that it designates means of certifying that agents and actions of an institution are directed to accomplish the goals established by the institution’s shareholders.

A major and commonly referred to definition of corporate governance within literature and commonly recognized codes for corporate governance is that it’s a system by which firms are directed and controlled (Demirag, 1998; Karagiorgos et al., 2010; The Cadbury Report, 1992; OECD, 2004).

2.2. Corporate Governance Theories

There has been an evolution of theories concerning corporate governance mechanisms that companies enforce into their own corporate structure. The fundamental theories discussed within corporate governance were initiated with the agency theory, which later evolved into the stewardship theory and stakeholder theory and later the resource dependency theory.

The theories that will be discussed reports the cause and its effect on corporate governance variables, such as the structure of board members and its committees along with their roles within the corporation, in addition to, their social relationships rather than their regulatory frameworks. Therefore, it is suggested that a combination of several theories is best to describe an effective governance practice rather than hypothesizing corporate governance based on a singular or unified theory. (Abdullah & Valentine, 2009)

Agency theory

The agency relationship exists when a party, being the principle, hires agents for the company to act on the principal's behalf. However, if both the principle and agent focuses on maximizing their own utility, there is a chance that the agent might not always act in the principal's best interest (Jensen and Meckling 1976).

The main principal of the agency theory is to resolve conflicts that arise from the separation of ownership and management over the control of the corporation (Fama & Jensen, 1983; Jensen, 1986; Bhimani, 2008).

The agency theory specifies certain mechanisms which resolve two problems within the agency relationship which reduces agency loss.

- The first issue is the interests of both the principle and the agent are not aligned, which later, results a conflict. Also, when the principal cannot verify or measure if the agent is fulfilling the job requirements or even be certain if the agent is exerting maximum effort.
- The second issue is when the principal and agent have different preferences towards risk (Eisenhardt, 1989). Hence, the agency theory is the study of the agency relationship and the issues that arise from the principal and agent dilemma which results in an agency loss. However, Bruce et al. (2005) objects to agency theory stating that it wholly "relies on an assumption of self-interested agents who seek to maximize personal economic wealth".

Agency loss is viewed as the difference between the maximum beneficial outcome possible for the principal and the consequences of the agent's acts. If the interests of an agent are consistent and aligned with the interests of the principal's, as a result, zero agency loss occurs. However, when the agent's interests diverge from the principal's interests, a higher agency loss occurs. (Donaldson and Davis, 1991)

In order to solidify the alignment of interest and decrease the level of managerial opportunism, an outcome based contract between the principle and agent influences the behavior of the agent

to be within the interest of the principle. Such a contract can include appropriate incentive schemes for managers as a financial reward for maximizing shareholder wealth such as profit sharing or offering the company's shares at a reduced price. (Jensen and Meckling 1976).

Moreover, another method the agency theory proposes in order to solve the agency problem is the agent aligns with principle interest when the principle holds information that verifies the agent's behavior. Information systems are more likely to curb the agent's opportunism and becomes in tune with the principle that now is aware of the agent's movement. The role of efficient capital and labor markets can be used as an information system to control executive opportunism (Fama, 1980). The role of the board of directors also can be used as an information mechanism to monitor executive behavior (Fama and Jensen, 1983). Information mechanism is described such as budgeting systems, reporting procedures or even hiring additional independent and non-executive employees all for monitoring purposes.

Donaldson and Davis (1991) agree that an effective mechanism to restrain such divergence of management from shareholder interest is the board of directors by explaining the board provides a monitoring of managerial actions on behalf of shareholders especially when the board chair is independent from executive management. It is further explained that when an executive holds a dual role of CEO and board chair, owner's interest is sacrificed as a result of managerial opportunism and furthers agency loss.

The stewardship theory

On the contrary of the agency theory, the stewardship theory has been introduced as a method of defining relationships based on other behavioral premises in a sense that it stresses on the role of top management as being stewards rather than individualists, which integrates their goals as part of the organization (Donaldson 1990a; Donaldson 1990b; Donaldson and Davis, 1991). Hence, the stewardship theory holds that there is neither integral nor general issue of executive and upper management motivation.

However, questions arise of how far executives can achieve the virtuous corporate performance to which they desire (Donaldson and Davis, 1991). The key depends solely on the organization structure which provides clear role expectations and assists executives to formulate plans and

successfully implement them to achieve superior corporate performance (Donaldson, 1985; Donaldson and Davis, 1991)

Davis, Schoorman and Donaldson (1997) defined the role of a 'steward' where "a steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward's utility functions are maximized". The main assumption underlying the stewardship theory is the behaviors of the agents are aligned with the interests of the principals, where the economic benefits for the principal within the stewardship theory results lower transaction costs, which is associated with the lower need for economic incentives and monitoring. (Pastoriza and Ariño, 2008).

The stewardship theory places greater significance on goals in conjunction with the parties involved in corporate governance than on the agent's own interest (Van Slyke, 2006). Stewards are motivated by intrinsic rewards, such as mutuality and goal alignment, rather than solely on extrinsic rewards. The steward, as opposed to the agent, places greater value on collective and mutual goals rather than individual goals; the steward recognizes the success of the company as if it is his or her own achievement. Thus, the major difference between both the agency theory and the stewardship theory is on the nature of motivation; the agency theory places more emphasis on extrinsic motivation, while on the other hand, the stewardship theory is focused on intrinsic rewards that are not easily quantifiable. (Davis, Schoorman and Donaldson, 1997)

The stakeholder theory

The corporation has earned a role greater than business tractions, however, has become a method of organizing economic life (Freeman, 2001). Within that same sense, managers have a duty not only towards stockholders, but also must keep a fiduciary relationship among stakeholders.

As stated by Freeman (1984), stakeholders can be defined "any group or individual who is affected by or can affect the achievement of an organization's objectives" whereas the stakeholder theory was created for the purpose to plan methods to manage the relationships of these groups and individuals in a strategic manner.

The successful strategies are those that assimilate and take consideration the interests of all stakeholders rather than maximizing the position of a single group (Freeman, 2001). Arguably,

Freeman's (1984) definition of stakeholders is considered to be a broad definition as it nearly includes anyone (Mitchell, et al., 1997). Additionally, Freeman (2010) revisited the definition of stakeholders to be "groups or individuals that benefit or harmed, and whose rights are violated or respected by organization operations".

During the year 1963, an internal memo generated by the Stanford Research Institute (now known as SRI international) has argued that in order to achieve long term success, managers needed to develop objectives that stakeholders will support which required exploring the concerns and relationships of groups such as employees, customers, suppliers, lenders and society in general. Such theories had minor impact at the time on management theories. However, during the 1980's, the stakeholder approach returned as a framework for strategic management when it was mentioned and happened to be highly related to concepts such as corporate planning, systems theory, corporate social responsibility and organizational theory. (Freeman, 2001)

Donaldson and Preston (1995) argued that the stakeholder theory focuses on managerial decision making and interests of all stakeholders, in such all stakeholders have intrinsic value where no sets of interests of a particular group dominates the others. On the other hand, Clarkson (1995) defines stakeholders as "constituencies" that are affected by a corporation's operation, regardless of whether the stakeholders are linked through explicit (direct) or implicit (indirect) contracts.

Hence, it is concluded that stakeholder theory is less of a formal unified theory and more of a broad research tradition that incorporates different inter-related concepts from organizational science to social responsibility (Abdullah and Valentine, 2009).

Resource dependency theory

On the contrary of the stakeholder theory, which focuses on relationships with many groups for individual benefits, the resource dependency theory focuses on the role of board of directors in delivering access to resources that is needed by the corporation (Abdullah and Valentine, 2009).

The resource dependency theory argues that the role of directors serves in connecting with the external environment in order to secure essential resources, navigate external contingencies, and

provide insights from diverse perspectives (Pfeffer and Salancik, 1978; Hillman, Canella and Paetzold, 2000).

Moreover, some directors themselves are recognized as providers of resources that are needed for an organization, which further proves that the board of directors is considered to be an important mechanism that links an organization with the external environment (Hambrick et al., 2015).

The shareholder theory

Originally proposed by Milton Friedman, the shareholder theory proclaims that shareholders advance capital to a company and its managers, where such capital is supposed to be spent on corporate funds only that are authorized and approved by the shareholders (Smith, 2003). The shareholder theory makes the only corporate responsibility for a firm is to focus on maximizing profits, which is considered to be the shareholders main interest. (Lee, 2008)

Hence, the ultimate goal for managers is to use the capital for organizations with a main purpose to increase the returns of the firm, which in response increases the return of the shareholders. (Dittmar, Mahrt-Smith, & Servaes, 2003)

2.3. Corporate Governance Codes and Guidelines

Commonly recognized codes and reports are heavily referenced that were published for the sole purpose of promoting and guiding to good corporate governance practices. The Cadbury Report (1992), Organization for Economic Co-operation and Development (OECD) Principles of Corporate Governance (1999 and 2004), and the Sarbanes-Oxley Law (2002) are among the most commonly referred to guidelines when referencing the general principles of good governance. (Anca, 2012)

The reason behind choosing such guidelines is to understand the important variables in order to within research method, variables and hypothesis.

The Cadbury report

On May 1991, the London Stock Exchange set up a committee under the leadership of Sir Arian Cadbury. The committee was set up during the heightening of unexpected failures of major firms, for the main purpose to help raise the standards of corporate governance and restore the level of confidence in financial reporting. The committee drafted the Cadbury report, which sets out the methods of governance needed to achieve a balance between the essential powers of the Board of Directors and their proper accountability. (Cadbury report, 1992).

Some of the important codes mentioned within the Cadbury report are:

Board of directors, chairman, and CEO

A clear accepted division of responsibilities among the chairman and chief executive of the company to ensure the balance of power and separation of authority within the firm. When the chair is also the chief executive, the board should increase the independent element to avoid power concentration. Adding a senior non-executive director or a deputy chairman to the board is recommended when there is a chairman and chief executive duality. (Cadbury report, 1992)

Executive directors

Each and every publicly traded company should be headed by an effective board which can lead and control the business. Board effectiveness includes all board members to work under a chairman in order to provide leadership and regulation which are both effective governance demands. (Cadbury report, 1992)

The board should not only include a combination of executive directors, but also a number of outside non-executive directors, who can bring a broader and a more independent view to the company's operations. (Cadbury report, 1992)

Each executive director should not exceed the duration of three years on the board. There should be full disclosure on the directors and chairman salary and performance pay. A remuneration committee should be set up and consist of non-executive directors that recommends the pay of executive directors. (Cadbury report, 1992)

All directors are equally responsible for the board's actions and decisions. Particular directors may have certain responsibilities for which they are responsible to the board. (Cadbury report, 1992)

Non-executive

The board should include a sufficient number of non-executive directors for their views to carry significant contribution and weight in the board's decisions in order to maintain the standards of corporate governance. Non-executive directors have two important contributions to make to the governance process because of their independence from executive responsibility. (Cadbury report, 1992)

- The first is in reviewing the performance of the board and of the executive where they address this aspect of their responsibilities carefully and should ensure that the chairman is aware of their views. (Cadbury report, 1992)
- The second is in taking the lead where potential conflicts of interest arise. Non-executive director's interests are less directly affected by executive management interest, where they should also bring an independent judgment to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct. (Cadbury report, 1992)

It is recommended that the composition of sub-committees of the board requires a minimum of three non-executive directors, one of whom may be the chairman of the company provided he or she is not also its executive head. Moreover, the majority of the non-executive directors should be independent. Independent as in the directors should be independent from management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. (Cadbury report, 1992)

The Sarbanes-Oxley Act

The Sarbanes-Oxley law (SOX) was created by U.S. government authorities for the sole purpose to regulate several principles of good governance which includes many of the principles mentioned and supported in the Cadbury and OECD reports. The SOX act led a major change in

accounting and financial reporting which caused an increase control on corporate governance, which protects investor's investment and prevents further loss of confidence in the U.S. stock market.

Some of the major points mentioned within the SOX act are:

Public company accounting oversight board

The establishment of a 'Public Company Accounting Oversight Board' consisting of five members where the term of service of each board member shall not exceed five years until a successor is chosen and appointed. The establishment is needed in order to oversee the audit of publicly traded companies as a result to protect the interests of investors and public interest while preparing accurate and independent audit reports. (The Sarbanes-Oxley Act, 2002)

Auditor independence

The establishment of standards for the independence of external auditors such as restrictions for audit firms from bookings, consulting, and brokerage form the same client. Accounting policies and practices should be reported under the generally accepted accounting principles. Financial statements should be accurate and truthful and free of misleading information and must disclose all information available along with future changes if any backing it with an internal control report which assures the accuracy of financial reports and disclosures. (The Sarbanes-Oxley Act, 2002)

Frequent audit partner rotation should occur every five fiscal years after the approval of the audit committee. The mandatory rotation of registered public accounting firms may be the auditor of record for a particular issuer no later than one year. (The Sarbanes-Oxley Act, 2002)

Corporate responsibility

The audit committee is directly responsible for the oversight of the work of any registered public accounting firm for the purpose of preparing or issuing an audit report or related work, and each such registered public accounting firm shall report directly to the audit committee. A member of an audit committee of an issuer may not be on the board of directors, or any other board committee. (The Sarbanes-Oxley Act, 2002)

The chief executive officer along with the chief financial officer, or any other person performing with similar functions, must certify each annual report filed has been reviewed and fairly presented to the best of their knowledge and that it is free of any misleading or untruthful statements. (The Sarbanes-Oxley Act, 2002)

The OECD report

The OECD Principles were developed in 1999 and last updated in 2004 and reviewed under the support of the OECD Corporate Governance Committee with all G20 countries invited to participate. The principles are intended to assist policy makers evaluate and improve the regulatory and institutional framework for corporate governance, with a view of supporting financial stability, economic efficiency and constant sustainable growth.

Ensuring the basis for an effective corporate governance framework

A framework of corporate governance should be developed with a broad-view to its impact on overall economic and market performance and integrity. The division of responsibilities among different parties should be clearly stated and designed to properly serve the public and company interest. (OECD, 2004)

The rights and equitable treatment of shareholders and key ownership functions

The framework of CG should protect shareholders rights and ensure equal treatment of all shareholders regardless of what class they fall under. Shareholder should participate in key corporate governance decisions, such as the nomination and election of board of directors. Conflicts of interest among the board members should be notified and addressed. (OECD, 2004)

The role of stakeholders in corporate governance

The framework of corporate governance should recognize the rights of stakeholders established by the federal law or through mutual agreements and encourage cooperation between corporations in creating prosperity, jobs, and financial stability. (OECD, 2004)

Disclosure and transparency

The framework of corporate governance should ensure accurate and full disclosure is made on all firm matters, such as financial, performance, ownership, and governance, in a timely matter. An independent annual audit should be conducted by a competent and un-biased auditor in accordance of generally accepted auditing standards to provide external assurance to the board and shareholders that the firm's financial statements are fairly represented. (OECD, 2004)

The responsibilities of the board

The framework of corporate governance should ensure strategic and objective guidance of the firm, effective monitoring of management under the board's supervision, and the board's responsibility towards the firm and its shareholders. The board is primarily responsible for monitoring managerial performance, reviewing governance and corporate policies and procedures, addressing conflicts of interest, and balancing challenging corporate demands. In order to fulfill their responsibilities, the board must execute under an independent judgment that is within the company's and shareholders interest. (OECD, 2004)

2.4. Corporate Governance in the Middle East

The Middle East and North Africa region is considered to be one of the emerging markets in which corporate governance model has been seen as a new thought. Mostly family owned companies and small and medium sized enterprises (SMEs) dominate the corporate scene and the private sector respectively within the region.

Corporate governance is considered to play a key role in shaping a healthy business environment. Corporate governance values such as transparency, responsibility and fairness are considered significant starting points towards creating improved business practices. Good corporate governance influences better and transparent relationships among corporations' board of directors, shareholders, executives and other stakeholders. A stronger relationship among the parties is also influenced by the legal and regulatory framework as a result of implementing business ethics, governance codes and raising social and environmental awareness.

However, despite being a new concept within the region, corporate governance has been spreading through the Middle Eastern and North African countries and has been making significant in the past decade. Practitioners ranging from public and private sector, capital markets, banks and other financial institutions have accepted the need to address and implementation of corporate governance reform. Such needs are required in order to create a competitive market system and the development of law-based democracy society.

Despite constant reforms and demands being made, socio-economic and political challenges has arisen as a result of the Arab Spring aftermath that has swept the entire region. The Arab Spring uprisings have blamed weak governance implementation, absence of accountability and policies serving certain groups and not serving the general public. The widespread of corruption and embedded mal-governance has influenced the citizens of the affected countries to undergo transformation by redefine their social contracts with their governments and rebuild their trust in their institutions. However, if these challenges are properly addressed, it should lead to even further corporate governance reform.

The Middle Eastern and North African region has been determined and motivated to improve governance standards. Governance codes for listed companies have mostly been issued by MENA countries. However, issues arise regarding the implementation of such codes, especially in the areas of transparency and disclosure and board practices in particular. With no doubt, much of the weight of ensuring proper implementation falls on the different regulators present within the region. Institutional investors also can have a larger and active role in governance implementation and examine the governance arrangements of companies. (Nadal, 2013)

Although most listed companies in the MENA countries implement governance codes, the focus and implementation of corporate governance on listed companies should also be applied towards family owned companies, small and medium sized enterprises and state owned enterprises in order to facilitate private sector growth. (Nadal, 2013)

CHAPTER 3: HYPOTHOSIS DEVELOPMENT

3. Hypotheses Development

3.1 Board Structure

Board Size

A study by Eisenberg et al.(1998) shows a negative correlation between small and medium sized firms profitability, when measured by ROA, and board size. It is further stated that the ideal board size differs depending on firm size. In closely held firms, communication and management coordination problems could arise, which would imply that owners choose less than the highest standard board structure. Hence, board size does reflect the composition of the board that matches their own capabilities, where its effects may have different roots in small closely held firms than in larger and more diverse firms.

Larger boards can consist of more outsiders who may assist in more careful decision making policies in firms, since the reputation cost if the firm fails is likely to be high in comparison with their private benefit if a project turns out to be profitable. Board size affects investor decisions on the long run, where owners with most of their wealth invested in one particular firm might prefer a board composition associated with careful strategic decision-making; while more diversified investors might choose board structures associated with riskier investment decisions policies. (Eisenberg et al., 1998)

Kiel and Nicholson (2003) examined the relationships between board size and firm performance in publicly traded large companies. It is concluded that board size is positively correlated with firm value.

Dalton et al.(1999) found that there is a positive systematic relationship in a meta-analysis of board size and firm performance.

On the other hand, Yermack (1996) states that there is an inverse relationship between board size and firm value, and that financial ratios related to profitability and operating efficiency appear to decline as board size grows.

This leads to the first research hypothesis:

H₁: There is a significant relationship between board size and firm performance

Board Independence

Rashid et al. (2010) realized the effects of board composition on company performance by developing two hypotheses to examine the relationship among composition of board memberships including independent directors and firm performance. Their results reveal that independent directors do not add value to the firm's economic performance, but they also mention independent directors might add benefits for greater transparency.

Luan and Tang (2007) concluded that independent director appointments do have a significantly positive impact on a firm's performance, but questions whether the change in governance structure could result in performance implications.

However, Yermack (1996) reports that firms with more outside directors displays lower performance when using Tobin's Q as a measurement. Similarly, Kiel and Nicholson (2003) found a negative relationship between firm performance and the proportion of outside directors.

This prompts the second research hypothesis:

H₂: There is a significant relationship between board independence and firm performance

Duality Separation

The primary responsibility of a CEO is the implementation of strategic decisions and initiation of decision management. On the hand, the responsibility of the board of directors is to control, endorse and monitor such decisions pursued by the CEO (Sheikh & Wang, 2012).

Fama and Jensen (1983) explain that the survival of organizations is characterized by the separation of ownership and control. Fama and Jensen clarifies that managerial decisions, without the implementation of control procedures, are more likely to make decisions that deviate from the interest of the firm. It is later explained that the implementation of an effective system for control procedures implies that the control of decisions, the entity or group responsible for

monitoring and ratification functions, is separated from the management decisions, which is responsible for the implementation and risk bearing functions. Such implementation assists to regulate these agency problems by restricting and limiting the authority of managers and executives.

Other supporting literature states that combining the roles of CEO and board chairman will give more power over board selection which allows greater influence and control over decision making (Hermalin and Weisbach, 1991; Hermalin and Weisbach, 1998; Adams, Heitor Almeida, and Ferreira, 2005).

Moreover, CEO duality restricts information dissemination towards board members which leads to the increase of agency costs of managerial decision making, hence, diminishing board effectiveness in promoting the corporations economic value (Dahya and McConnell, 2005; Nelson, 2005; Raheja, 2005). Similarly, Goyal and Park (2002) finds that the CEO turnover to corporate performance is lower when both titles are unified.

On the other hand, CEO duality can be seen as a positive indicator leading to better corporate performance, because it is seen that the corporation has a clear leadership and vision that can properly direct the company. This is supported by the stewardship theory and the resource dependency theory, which states unifying the command by having roles of CEO and chairman held by the same person will facilitate effective actions that are taken by the CEO, which will lead to better firm performance and lead to better beneficial consequences on shareholder returns.

The empirical evidence is that the ROE returns to shareholders are improved by combining the role of the CEO and chairman positions. Thus, the results fail to support agency theory and lean towards supporting the stewardship theory (Donaldson and Davis, 1991). Gaur et al. (2015) argued that presence of directors and CEO duality leads to unification of control and command, and consequently higher performance. Moreover, Pfeffer & Salancik (1978) states that directors with more freedom of decision making are more likely to implement strategic decisions that will overcome organizational indolence, which suggests combining CEO and board of directors chairman will lead to less restrictions and pressures on the CEO during strategy implementation.

There is another view on CEO duality by ElSayed (2007), where it has no impact on corporate performance. Elsayed states, however, the impact of CEO duality on corporate performance is found to vary across different industries, a result that supports both agency theory and stewardship theory. In addition, when firms are categorized according to their financial performance, CEO duality attracts a positive and significant coefficient only when corporate performance is low.

From a debt and leverage perspective, Abore (2007) finds that there is a positive significant relationship between CEO duality and firm leverage. Similarly, Bokpin and Arko (2009) states that there is positive relationship, however insignificant, between CEO duality and firm financial leverage suggesting that CEO's leans towards financing by debt rather than financing by equity when it comes to firm operation strategy.

This prompts the third research hypothesis:

H₃: There is a significant relationship between CEO duality and firm performance

Diversity

A considerable amount of ambition towards increased gender diversity on boards will have significant "added value" effects and positive economic consequences. (Beaufort and Summers, 2014). A study by Francoeur et al.(2008) stated that firms operating in complex environments that have a high percentage of women do witness positive returns. On the other hand, they state, having more women on corporate boards or on both corporate boards and top management does not seem to generate significant excess returns.

Campbell and Minguez-Vera (2008) argued that the gender composition of a board can affect the quality of the monitoring role on the board and hence affects the financial performance of the firm. Economic arguments, on the other hand, are based on the proposition that firms which fail to select the most suitable candidates for the board of directors damage the firm's financial performance. Their findings demonstrate that the presence of women in particular on the board of directors does not affect firm value. However, they find that the diversity in general of the board has a positive impact on firm value.

Adams and Ferreira (2009) found that diversity has a positive impact on performance in firms that have weak board governance. In firms with strong governance, however, enforcing gender proportions in the board could eventually decrease shareholder value. A possible explanation is that greater gender diversity could lead to over monitoring within such firms.

A different view has been established after exploring the strengths and limitations of various methodologies and survey findings, Rhode and Packel (2014) concludes that the relationship between diversity and financial performance has not been convincingly established. This leads us to the following hypothesis.

This leads to the forth research hypothesis:

H₄: There is a significant relationship between board diversity and firm performance

3.2 Ownership Structure

Ownership structure is considered to be a key variable in corporate governance studies as it determines who handles the decision making power within a corporation (Zattoni, 2011).

Ownership Concentration

Omran et al. (2008) concluded that ownership concentration is a response to poor legal protection of investors, and has no significant effect on firms' performance. Similarly, findings by Warrad et al. (2013) concluded that non-managerial ownership concentrations on all levels do not have a statistical significant effect on firm performance either it is measured by ROA, ROE, or Tobin's Q.

On the other hand, Wang et al. (2015) reports that ownership concentration has a negative relation with firm performance across different countries as a result of controlling shareholder agency problems or negative impacts on other corporate governance mechanisms arising from concentrated ownership.

Gaur et al. (2015) argued that a lack of ownership concentration leads to agency problems, resulting in poor performance. However, the positive effect of board independence on firm performance is reduced in firms that have a higher ownership concentration. This leads us to the following hypothesis.

This leads to the fifth research hypothesis:

H₅: There is a significant relationship between ownership concentration and firm performance

Director Ownership

Different proxies for firm performance, accounting and market measures, produce different relationships with director ownership concentration. Bolbol et al. (2004) states that director ownership concentration on all levels does not have a statistical significant effect on neither ROA nor ROE, but has statistical significance on Tobin's Q. However, this result seems to depend more on reputation effects and lower agency costs than on market fundamentals affecting the firms' actual performance. Hence, future improvements in corporate governance practices are better evaluated through its effect on performance measures rather than market measures (Warrad et al., 2013).

Drakos and Bekiris (2010) conducted an analysis for the same topic and found that when director ownership is treated as endogenous, a positive impact can be found on corporate value. Kamran and Shah (2014) states that director ownership has a positive impact on 372 firms from Pakistan which supports the understanding that managers who are deeply-rooted in a firm are more influential in terms of corporate decisions that are skewed within their own interest.

On the other hand, after controlling for investment intensity, leverage, growth and size, Mandaci and Gumu (2010) found that ownership concentration has a significantly positive effect on both firm value and profitability, while director ownership has a significantly negative effect on firm value.

Other evidence also indicates that the patterns of the relation between managerial ownership and firm performance, in the sense that the inflection points for the impact of managerial ownership turning from positive to negative, are markedly different across ownership managements (Chen, 2006).

From a debt and leverage perspective, there are empirical findings that conclude director ownership is positively related to debt ratio of firms, due to managers' financial alignment with outside shareholders which would pursue a levered capital structure which leads to an increase in firm value (Mehran, 1992; Berger et al., 1997). Moreover, Kim and Sorensen (1986) concluded that firms with greater director ownership is more likely to have higher debt ratios compared to firms with minor director ownership.

However, the excessive use of debt can cause bankruptcy risk and increase the non-diversifiable risk of bankruptcy to managers themselves. (Bathala et al., 1994)

This prompts the sixth research hypothesis:

H₆: There is a significant relationship between director ownership and firm performance

Institutional Ownership

Alshammari (2015) reports that the effect of institutional owners is expected to positively moderate the relationship between common reporting standard (CSR) activities and firm performance.

Literature reviews on institutional ownership states that it enhances institution's performance (Hartzell and Starks, 2003), and that it improves institutions performance (Maury, 2006), and that there is a positive relationship between institutional ownership and institution performance (Smith, 1996; Guercio and Hawkins, 1999).

Elyasiani and Jia (2010) similarly found that there is a positive relationship between firm performance and institutional ownership stability. This relationship is robust to the employment of ownership turnover measures used in literature and consistent with the view that stable institutional shareholders play an important role in monitoring. Furthermore, better firm

performance is observed when the long term institutional investors, particularly of foreign institutions, are higher (Hsu and Wang, 2014). A study by Chaganti and Damanpour (1991) also shows that the size of outside institutional stockholdings has a significant effect on the firm's capital structure.

In a different twist, evidence suggests an endogeneity problem between firm performance and institutional ownership. However, the scale of the problem differs with respect to the concentration of ownership measure used. Results show that a more equal distribution of the voting power among the largest institutional stakeholder may result positive effects on firm performance. Consistent with the ownership structure in Finland, it has been found that a simple ownership concentration index does not influence firm performance (Bhattacharya et al., 2009).

From a debt and leverage perspective, Bathala et al., (1994) found that institutional ownership is negatively related to the level of debt. Once institutional ownership and monitoring within firms increases, firms may find it ideal to employ minor levels of debt and managerial ownership in order to control for agency conflicts. (Bathala et al., 1994)

This leads to the seventh hypothesis:

H₇: There is a significant relationship between institutional ownership and firm performance

Foreign Ownership

A study by Azzam et al. (2013) examined the effects of foreign ownership on debt, using the debt ratio, and company profitability, using ROE and ROA. The end-results indicated that foreign ownership has a significant and positive effect on debt, where it increases a company's access to more financing.

The study also indicated that an increase in foreign ownership significantly improves firm performance using the measurements ROE and ROA, where foreign ownership increases financial performance up to a level and then declines there-after. A similar finding was also noted by Hintošová and Kubíková (2016). Similarly, a study by Ben Naceur et al. (2007) examined a sample of 95 firms in four countries which included three Arab countries,

specifically Egypt, Morocco, Tunisia, and found a positive impact of foreign ownership on profit.

Furthermore, studies regarding foreign ownership on firm performance for single countries show a positive effect in Belgium (Goethals and Ooghe, 1997), United Kingdom (Alan and Steve, 2005), Egypt (Omran, 2009; Azzam et al. 2013) and Turkey (Gurbuz and Aybars, 2010).

However, a study by Omran et al. (2008) sampled 304 companies from four Arab countries, Egypt, Jordan, Oman and Tunisia, and found no significance of foreign investing on firm performance. Yet another study by Omran (2009) later examined fifty two companies all present within Egypt, the study found that foreign ownership has a positive impact on firm performance.

On the other hand, some studies revealed that foreign ownership has a negative on firm performance (Sulong & Nor, 2008; Khamis et al. 2015) suggesting the reason is due to the reduced amount of information between the foreign owners and management (Khamis et al. 2015).

This prompts the eighth research hypothesis:

H₈: There is a significant relationship between foreign ownership and firm performance

3.3 Control Variables

Firm Size

Large sized firms have higher profitability and performance measures than small or medium sized firms. This could be the result of favorable advantages seized by monopoly power and not advantages gained through efficiency (Warrad et al., 2013). The results of a research by Nurcahyo et al. (2013) demonstrations that implementation of good corporate governance (GCG) can affect directly on corporate performance as measured by economic value added (EVA) as well as indirectly through firm size. Also, Azzam et al. (2013) shows that company size has a positive effect on ROE and ROA, where a company with a relatively larger size is comparatively more profitable than a company that is smaller in size.

On the other hand, Rashid et al. (2010) found that there is a negative relationship between company size as measured by assets and revenue and performance measurement of Tobin's Q, which is considered a market-value measurement of firm performance. Also, there are some very distinct relationships between company size and board composition.

Firm size can impact large firms to experience issues of coordination and organization which may negatively influence performance (Williamson, 1967; Rashid et al. 2010). Williamson (1967) suggests that the increase in firm size may allow management to encounter control loss over the firm. Hence, the firm's management is considered to be a limitation to firm size, where if control loss occurs within the managerial hierarchy, this can greatly affect firm performance negatively. Williamson (1967) also explains that managerial experience is positively related to firm size. Thus, non-experienced or unqualified management could negatively affect the growth of a firm, which leads to lower or inefficient firm performance.

A study on firms in Pakistan by Sheikh & Wang (2012) finds that firm size is positively related to the debt ratio. This is supported by the static trade-off model, a theory which allows a firm to understand its ability to finance with a certain balance between debt and equity, which suggests that large firms should borrow more due to their ability to diversify the risk and benefit from the tax shields on interest payments.

Firm Age

Loderer & Waelchli (2010) states that firm performance, specifically ROA, declines as firm age increases over time. However, even though this hypothesis is supported by the deterioration of corporate governance variables as well as having larger boards, this finding does not explain the full aging effect, where it seems to be relatively related to problems in ideas that should be implemented keeping the firm aligned with current industry standard practices.

In terms of debt and leverage, a study by Pfaffermayr et al. (2013) found that firm age has a negative impact on debt ratios which indicate that older firms depends less on debt compared to younger firms. Similarly, Berger and Udell (1998) and Reid (2003) illustrated that a firm's debt ratio decreases when they pass their start-up phase period. Moreover, Coad et al. (2013) stated that ageing firms experience lower debt ratios.

Industry Type

According to the signalling theory, companies within the same industry incline to adopt the same level of disclosure. When a firm within an industry tends not to follow the same disclosure practices as others within the same industry, then it may be interpreted as a signal that the firm is withholding negative vital information that might greatly affect investors' decisions (Craven and Marston, 1999).

The difference in disclosure practices among firms present within different industries might be due to the fact each industry has different costs of disclosure and some firms may be more advanced in terms of technology than other firms (Ismail, 2002).

Audit Type

Audit firms audit or examine an organization's financial statements and express its opinion on the validity of such statements when being published. Hence, audited financial statements by audit firms should achieve a level of reliability when reviewing financial statements and presenting an honest opinion which the organizations' principles, shareholders and other stakeholder can rely on in order to make investment decisions. (Porter et al., 2008; Collin et al., 2013)

Audit practice developments are considered to be more influenced by Big Four firms, which are the largest four auditing firms worldwide, rather than influenced by smaller local auditing firms. Hence, a Big Four firm could affect a firm's performance positively by leading the firm to implement proper routines and information systems. (Porter et al., 2008; Mohamed et al., 2013)

In a different twist, Beisland et al. (2015) published a study that revealed the existence of internal auditors is related to stricter governance, whereas 'Big Four' auditors are generally unrelated to corporate governance mechanisms. In situations which a significant relationship is present between audit quality and corporate governance does exist, the relationship is always positive.

Macroeconomic Country Variables

Increased economic and financial integration and macroeconomic fluctuations require that corporate managers pay more attention than in the past to the link between the "noise" that these

fluctuations represent and the company's future and past performance to obtain a much clearer picture of the company's core competitiveness and long term sustainability.

The macroeconomic environment set can be viewed in different variables, such as exchange rates, inflation rates, and political risk premiums. (Oxelheim, 2003)

Kenworthy (2005) stated that the most common measures of macroeconomic performance are economic growth and inflation, where economic growth can be measured in various ways, like gross domestic product and foreign direct investment.

Bonomo et al. (2003) states that firms can see their financial condition deteriorate if a firm has foreign denominated debt and the real exchange rate of the country that the firm is based in depreciates. Also, financial condition of a firm could deteriorate if firms have significant short-term debt or long-term debt contracted at floating rates instead of fixed rates, which will result in higher rates later on.

Revolution

Ghosh (2015) states that the effect of the Arab Spring is considered to be asymmetric, with little or no effects on certain countries, and from moderate to major effects in several countries.

However, Mousavi & Ouenniche (2014) states that the MENA region is considered to be the most critical areas in the world to the degree that the political conflicts of the Arab Spring uprising that occurred within the region had an impact not only on the financial markets within the area, but also on global financial markets as well.

An area that has not been sufficiently and effectively explored has been the impact of the Arab Spring uprising on corporate governance and firm performance within the region.

Ghosh (2015) explored MENA banks located in twelve countries during 2000-2012 and found that the impact of the Arab Spring uprising led to a reduction in bank profitability and increase in bank risk. A dummy variable is used to account for the years before the Arab Spring uprising (2006-2010) and after the Arab Spring uprising (2011-2015) in order to test for the significance on firm performance.

CHAPTER 4: RESEARCH METHODOLOGY

4. Methodology

4.1.1 Population and Sample Selection

For the purpose of carrying out the research and collecting the data, this study's sample comprises firms listed on the S&P Pan Arab Composite Index which includes the largest companies within the Arab countries in terms of market capitalization in USD. The population of the study consists of firms that are publicly listed in the stock exchanges. All financial firms, including banks, are excluded from the population sample, whereas such firms are considered to be a regulated industry and are highly likely to have fundamentally different cash flow and accrual processes. The sample comprises the top 225 companies in stock exchanges of 11 countries after excluding financial companies.

Table (1) - Sample Distribution by Sectors¹

GICS Sector Name	Frequency	%
Consumer Discretionary (25)	29	12.89%
Consumer Staples (30)	27	12.00%
Energy (10)	14	6.22%
Health Care (35)	9	4.00%
Industrials (20)	52	23.11%
Information Technology (45)	1	0.44%
Materials (15)	66	29.33%
Telecommunication Services (50)	18	8.00%
Utilities (55)	9	4.00%
Total	225	100%

¹ Table (1) shows classification of the sample per the Global Industry Classification Standard (GICS) which is an industry classification by industry group and sector based on business activity of each firm. The GICS is developed by MSCI, a US based firm that provides investment analysis tools and Standard & Poor's (S&P) for use by global financial institutions. The GICS structure consists of 10 sectors, 24 industry groups, 67 industries and 156 sub-industries.

Table (2) - Sample Distribution by Country

Country	Number of companies	%
Bahrain	3	1.33%
Egypt	15	6.67%
Jordan	8	3.56%
Kuwait	22	9.78%
Lebanon	1	0.44%
Morocco	7	3.11%
Oman	15	6.67%
Qatar	15	6.67%
Saudi Arabia	105	46.67%
Tunisia	17	7.56%
United Arab Emirates	17	7.56%
Total	225	100%

4.1.2 Index Methodology

S&P Pan Arab Composite Index which is designed to reflect the float available to Gulf Cooperation Council residents, which is considered to be larger than the free float available to foreigners.

Float factors generally reduce the number of total shares outstanding in the index calculation to reflect shares available to all investors. In addition to reviewing the amounts held by private, corporate or government entities, S&P Dow Jones Indices also accounts for any limits or restrictions on investments by foreign investors or entities. These restrictions may be imposed by local governments on specific industries or on all public securities. Restrictions may also be imposed on foreign investors by individual companies, as part of their internal bylaws.

4.1.3 Eligibility Factors Float-Adjustment

A stock's weight in an index is determined by its float-adjusted market capitalization. The methodology to calculate float factors is the same as described in S&P Dow Jones Indices' Float Adjustment Methodology. However, most companies within the GCC region have multiple guidelines used to determine the relevant float factor for each index. Float factors generally reduce the number of total shares outstanding in the index calculation to reflect shares available

to all investors. In addition to reviewing the amounts held by private, corporate or government entities, S&P Dow Jones Indices also accounts for any limits or restrictions on investments by foreign investors or entities. These restrictions may be imposed by local governments on specific industries or on all public securities. Restrictions may also be imposed on foreign investors by individual companies, as part of their internal bylaws. All GCC markets have different levels of foreign investment restrictions depending on the investor: one level indicating what is available for investors residing within the GCC region; and the other for foreign investors. Typically, the amounts available to GCC residents are larger than those available to foreign investors.

4.2 Data Collection

Companies chosen will be selected from the S&P Pan Arab Composite, which consist of 11 countries and stock markets after excluding financial firms, which are Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, and the United Arab Emirates. The data collected is a panel data for ten years from 2006 to 2015. The data is used to compare the effect of corporate governance on firm performance in the five years before the revolution of Arab spring to the five years after the revolution. The data was collected from Orbis database, Reuters Eikon, DataStream, Zawya, and annual reports will also be used to further gather information. The frequency of the data is annual.

4.3 Measurement of Variables

Within this study, the independent variables used are return on assets (ROA), return on equity (ROE), and the debt ratio (DR), where the ratios demonstrated are used extensively in literature reviews as measurements of profits. The ROA measurement is calculated as the ratio of net income to total assets or net income divided by total assets, which shows the ability of a firm in generating income from its assets. The ROE measurement is defined as the ratio of net income to total equity, which demonstrates the efficiency of using shareholders' equity in generating profits for the firm. The DR measurement is calculated as the ratio of total debt to total assets, which describes the leverage of the firm.

The independent variables used are board size, board independence, CEO duality separation, diversity, ownership concentration, director ownership, institutional ownership and foreign ownership. The board size variable measures the total number of board of directors within a firm. The

board independence variable measures the total number of non-executive directors compared to the total number of board of directors within a firm. The CEO duality separation variable represents if a person shares dual position of CEO and chairman within a firm. The diversity variable signifies the total number of female directors present within a firms' board. The ownership concentration denotes the percentage of all shareholder ownership within the firm who owns shares that add up to 5% or more, and excludes any other shareholder ownership representing less than 5% ownership.

Furthermore, the director ownership variable is the percentage of all shareholder ownership who are directors within the firm who owns shares that add up to 5% or more, and excludes any other director shareholder ownership representing less than 5% ownership. The institutional variable is the percentage of all shareholder ownership who are institution within the firm who owns shares that add up to 5% or more, and excludes any other institution shareholder ownership representing less than 5% ownership. The foreign ownership is the percentage of all shareholder ownership who are foreign within the firm who owns shares that add up to 5% or more, and excludes any other foreign shareholders ownership representing less than 5% ownership.

The control variables used are firm size, firm age, industry type, auditor type, gross domestic product (GDP), foreign exchange rate (FX), inward foreign direct investment, outward foreign direct investment and revolution. The firm age variable signifies the natural log of total assets within a firm. The firm age variable represents the natural log of the number of years since the firm's foundation. The industry type variable indicates whether the firm is operating under a service or manufacturing industry.

The GDP, FX, Inward FDI, Outward FDI variables are used for the country that the firm is based in. The GDP variable is the gross domestic product of the country that the firm is based in. The Foreign Exchange Rate variable is exchange rate of the country's currency that the firm is based in when compared to USD. Inward FDI signifies investment by a foreign entity in production in the reporting country, either by buying part or all of a company or by establishing new operations. FDI is longer-term and more permanent than stock market investments, and includes an element of business control. This is expressed as a share of total investment in the country. On the other hand, the Outward FDI signifies the investment by an entity from reporting country in production abroad, either by buying

part or all of a company or establishing new operations. FDI is longer-term and more permanent than stock market investments, and includes an element of business control.

Finally, the revolution variable indicates either the Arab Spring revolution has occurred during/after or before the year 2011, which is considered the starting date of the Arab Spring uprising, in order to examine its effects on firm performance.

Table (3) shows the symbols, definitions and measurements of the aforementioned variables. The table is divided into three groups, where the first one is related to dependent variables, the second group concerns with independent variables and the last group consists of control variables including the revolution variable as well as the macroeconomics variables.

Table (3) - Definition and Measurement of Variables

Symbol	Variable Definition	Measurement
Dependent Variables		
ROA	Return on Assets	Net Income divided by Total Assets
ROE	Return on Equity	Net Income divided by Total Equity
DR	Debt Ratio	Ratio of Total Debt to Total Assets
Independent Variables (Determinants)		
BrdSize	Board Size	Number of Board of Directors
BrdIndp	Board Independence	Number of Non-Executive Directors divided by Board Size.
DualSep	CEO Duality Separation	If the CEO and Chairman are the same person = 0; otherwise = 1
Div	Diversity	Number of female directors that exists on board
OwnCon	Ownership Concentration	Adding up all share ratios of shareholders who have 5% or more (excluding others)
DirOwn	Director Ownership	Adding up all share ratios of shareholders that includes directors only who have 5% or more (excluding others)
InstOwn	Institutional Ownership	Adding up all share ratios of shareholders that includes institutions only who have 5% or more (excluding others)
FrngOwn	Foreign Ownership	Adding up all share ratios of shareholders (institutions and individuals) that are foreign only who have 5% or more (excluding others)
Control Variables		
FrmSize	Firm Size	Natural Log of Total Assets
FrmAge	Firm Age	Natural log of the number of years since the firm's foundation
IndType	Industry Type	Manufacturing = 1; Services = 2
AudType	Auditor Type	If 'Big 4' = 1; otherwise = 0
GDP	Gross Domestic Product	GDP of the country the firm is based in (USD Standardized)
FX	Foreign exchange rate	Exchange rate of the country the firm is based in to USD
FDII	Inward Foreign Direct Investment	Inward FDI of the country the firm is based in
FDIO	Outward Foreign Direct Investment	Outward FDI of the country the firm is based in
Rev	Revolution	If year is before Arab Spring = 0; If during or after = 1

4.4 Research Method

To test the research hypotheses outlined in section 2, regression analysis will be adopted by using the statistical package (SPSS). The data is then used to compare the corporate governance variables five years before the Arab Spring uprising to the five years during/after the uprising, using the Mann-Wittney Test.

The following models will be used as follows:

$$\text{Model 1: } ROA = \alpha + \beta_1 BrdSize + \beta_2 BrdIndp + \beta_3 DualSep + \beta_4 Div + \beta_5 OwnCon + \beta_6 DirOwn + \beta_7 InstOwn + \beta_8 ForgnOwn + \beta_9 FrmSize + \beta_{10} FrmAge + \beta_{11} IndType + \beta_{12} AudType + \beta_{13} Rev + \beta_{14} GDP + \beta_{15} FX + \beta_{16} FDIO + \beta_{17} FDII + \varepsilon$$

$$\text{Model 2: } ROE = \alpha + \beta_1 BrdSize + \beta_2 BrdIndp + \beta_3 Duality + \beta_4 Div + \beta_5 OwnCon + \beta_6 DirOwn + \beta_7 InstOwn + \beta_8 ForgnOwn + \beta_9 FrmSize + \beta_{10} FrmAge + \beta_{11} IndType + \beta_{12} AudType + \beta_{13} Rev + \beta_{14} GDP + \beta_{15} FX + \beta_{16} FDIO + \beta_{17} FDII + \varepsilon$$

$$\text{Model 3: } DR = \alpha + \beta_1 BrdSize + \beta_2 BrdIndp + \beta_3 Duality + \beta_4 Div + \beta_5 OwnCon + \beta_6 DirOwn + \beta_7 InstOwn + \beta_8 ForgnOwn + \beta_9 FrmSize + \beta_{10} FrmAge + \beta_{11} IndType + \beta_{12} AudType + \beta_{13} Rev + \beta_{14} GDP + \beta_{15} FX + \beta_{16} FDIO + \beta_{17} FDII + \varepsilon$$

The following hypotheses were developed in order to examine the effect of corporate governance mechanisms on firm performance:

Table (4): Hypothesis Development

Board Size	<i>H₁: There is a significant relationship between board size and firm performance</i>
Board Independence	<i>H₂: There is a significant relationship between board independence and firm performance</i>
CEO Duality Separation	<i>H₃: There is a significant relationship between CEO duality separation and firm performance</i>
Board Diversity	<i>H₄: There is a significant relationship between board diversity and firm performance</i>

Ownership Concentration	<i>H₅: There is a significant relationship between ownership concentration and firm performance</i>
Director Ownership	<i>H₆: There is a significant relationship between director ownership and firm performance</i>
Institutional Ownership	<i>H₇: There is a significant relationship between institutional ownership and firm performance</i>
Foreign Ownership	<i>H₈: There is a significant relationship between foreign ownership and firm performance</i>
Firm Size	<i>H₉: There is a significant relationship between firm size and firm performance</i>
Firm Age	<i>H₁₀: There is a significant relationship between firm age and firm performance</i>
Industry Type	<i>H₁₁: There is a significant relationship between industry type and firm performance</i>
Audit Type	<i>H₁₂: There is a significant relationship between audit type and firm performance</i>
Revolution	<i>H₁₃: There is a significant relationship between revolution and firm performance</i>
Gross Domestic Product	<i>H₁₄: There is a significant relationship between GDP and firm performance</i>
Foreign Exchange Rate	<i>H₁₅: There is a significant relationship between FX and firm performance</i>
Outward Foreign Direct Investment	<i>H₁₆: There is a significant relationship between outward FDI and firm performance</i>
Inward Foreign Direct Investment	<i>H₁₇: There is a significant relationship between Inward FDI and firm performance</i>

CHAPTER 5: FINDINGS AND ANALYSIS

5. Findings and analysis

5.1 Descriptive Analysis and Hypotheses Testing

To study the effect of the corporate governance mechanisms on firm performance, three econometric models are used in order to test for the seventeen hypotheses previously mentioned. The regression analysis tool on SPSS is used to test for the effect of the independent variables, which are board size, board independence, CEO duality separation, diversity, ownership concentration, director ownership, institutional ownership and foreign ownership, firm size, firm age, industry type, auditor type, GDP, Outward FDI, Inward FDI and a Revolution dummy variable over the dependent variables; Return on assets, Return on equity and Debt ratio.

Model 1 is used in order to test the effects of corporate governance mechanisms on firm performance using ROA. Model 2 is used to test the effects of corporate governance mechanisms on firm performance using ROE. Finally, Model 3 is used in order to test the effects of corporate governance mechanisms on firm performance using Debt ratio. The three models tests for the hypotheses mentioned from H_1 to H_{17} .

Each model is followed by three tables which are coefficients for dependent variable, model summary for dependent variable and ANOVA for dependent variable.

Table (5) illustrates the minimum, maximum, mean, dispersion around the mean and the variance for each of the variables. Table (5) shows the descriptive statistics findings, the central tendency and dispersion of the indicators.

	Minimum	Maximum	Mean		Std.	Variance
	Statistic	Statistic	Statistic	Std. Error	Deviation	Statistic
					Statistic	
ROA	-67.8120-	43.9800	7.749656	.2106361	9.0180793	81.326
ROE	-329.9030-	76.7310	13.032447	.4616504	19.6946789	387.880
DR	.0000	1.4979	.424217	.0053599	.2299131	.053
Board Size	3	20	8.35	.054	2.208	4.876
Board Independence	.1667	1.0000	.792200	.0051595	.2110372	.045
CEO Duality	0	1	.94	.006	.242	.058
Diversity	0	5	.19	.015	.595	.354
Ownership Concentration	.0000	100.0000	32.602246	.7777860	36.4731069	1330.288
Director Ownership	.0000	100.0000	3.414547	.2107103	9.8719530	97.455
Institutional Ownership	.0000	100.0000	21.755883	.6085482	28.5304645	813.987
Foreign Ownership	.0000	100.0000	4.037387	.2845185	13.3116965	177.201
Firm Size	9.5654	23.1496	13.322025	.0371778	1.5951851	2.545
Firm Age	0	161	25.37	.429	20.055	402.200
Industry Type	1	2	1.38	.010	.485	.235
Auditor Type	0	1	.72	.010	.449	.201
Revolution	0	1	.50	.011	.500	.250
GDP	10.873	753.659	350.71274	6.033875	265.970033	70740.058
FX	.0007	3.7552	.833168	.0233193	1.1061296	1.224
FDIO	-.42-	23.54	3.5918	.06393	3.03244	9.196
FDII	-1.46-	92.48	15.1379	.26160	12.40890	153.981

5.2.1 Model 1

$$ROA = \alpha + \beta_1 BrdSize + \beta_2 BrdIndp + \beta_3 Duality + \beta_4 Div + \beta_5 OwnCon + \beta_6 DirOwn + \beta_7 InstOwn + \beta_8 ForgnOwn + \beta_9 FrmSize + \beta_{10} FrmAge + \beta_{11} IndType + \beta_{12} AudType + \beta_{13} Rev + \beta_{14} GDP + \beta_{15} FX + \beta_{16} FDIO + \beta_{17} FDII + \varepsilon$$

Table (6-1) – Coefficients for dependent variable ROA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.603	3.121		4.999	.000
	BrdSize	.616	.123	.155	4.994	.000
	BrdIndp	-1.517-	1.338	-.036-	-1.134-	.257
	DualSep	-2.828-	1.121	-.082-	-2.522-	.012
	Divers	-.030-	.443	-.002-	-.068-	.946
	OwnCon	-.001-	.011	-.005-	-.118-	.906
	DirOwn	.041	.026	.047	1.549	.122
	InstOwn	.067	.015	.215	4.611	.000
	ForgnOwn	-.054-	.021	-.077-	-2.543-	.011
	FrmSize	-.926-	.188	-.155-	-4.928-	.000
	FrmAge	.022	.013	.047	1.627	.104
	IndustryType	-.344-	.537	-.018-	-.640-	.522
	AudType	1.405	.631	.068	2.227	.026
	FX	.412	.281	.052	1.465	.143
	FDIO	.601	.352	.199	1.707	.088
	FDII	-.129-	.084	-.171-	-1.539-	.124
	Rev	-2.012-	.695	-.109-	-2.895-	.004
	GDP	.002	.001	.069	1.887	.059

Table (6-2) – Model Summary for dependent variable ROA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.288	.083	.071	8.7516857

Table (6-3) – ANOVA for dependent variable ROA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8955.365	17	526.786	6.878	.000
	Residual	98956.868	1292	76.592		
	Total	107912.233	1309			

Model 1 examines the effect of corporate governance mechanisms on firm performance measured by ROA. The model is highly significant with F-statistics which is equal to 6.878 and the p – value equals to 0.000 (less than 1%). The independent variables of the same model accounts for 8.3% variations in the dependent variable as indicated R^2 .

Board size

Board size appears to have a positive relationship and statistically significant at a 0.000 significance level with firm performance when measured by ROA. This result is consistent with previous studies demonstrating that there is a significant positive relationship between board size and financial performance. (Dalton et al., 1999; Kiel and Nicholson, 2003).

From a resource dependence theory point of view, a bigger board leads to greater opportunity for more relationships, associations, contacts and links and which allows access to resources. (Pfeffer, 1973; Pfeffer and Salancik, 1978; Kiel and Nicholson, 2003). Hillman et al. (2000) also agrees that directors are considered resourceful towards the firm by providing skills and expertise needed, as well as, access to suppliers, clients and policymakers.

Even though Yermack (1996) states that there is an inverse relationship between board size and firm value, however, the count of directors adds additional skilled expertise and performance to the board until it reaches a certain level where the board size outweighs the additional benefits that is provided. This raises the possibility that there is an inverted relationship between board size and firm performance. (Jensen, 1993; Kiel and Nicholson, 2003). Furthermore, Dalton et al.(1999) states that there is a positive systematic relationship between board size and firm performance.

From an agency theory perspective, boards with larger number of members can exercise better regulation and control on managers than smaller boards. (Freeman, 1984; Donaldson and Preston, 1995; Donaldson, 1999)

Duality Separation

CEO duality separation appears to have a negative relationship and statistically significant at a 0.012 significance level with firm performance when measured by ROA due to the separation of chairman and CEO responsibilities. Unifying CEO-Chairman positions is common within Pan Arab countries, especially in family controlled firm, and is considered to be a Gulf phenomenon.

This result is consistent with and supported by the stewardship theory and the resource dependency theory, which states unifying the command by having roles of CEO and chairman held by the same person will facilitate effective actions that are taken by the CEO, which will lead to better firm performance and lead to better beneficial consequences on shareholder returns. Hence, CEO duality can be seen as a positive indicator leading to better corporate performance, because it is seen that the corporation has a clear leadership and vision that can properly direct the company.

Empirical evidence is also consistent with literature review where that the ROE returns to shareholders are improved by combining the role of the CEO and chairman positions. Thus, the results fail to support agency theory and lean towards supporting the stewardship theory (Donaldson and Davis, 1991). Gaur et al. (2015) argued that presence of directors and CEO duality leads to unification of control and command, and consequently higher performance. Moreover, Pfeffer & Salancik (1978) states that directors with more freedom of decision making are more likely to implement strategic decisions that will overcome organizational indolence, which suggests combining CEO and board of directors chairman will lead to less restrictions and pressures on the CEO during strategy implementation.

Institutional ownership

Institutional ownership appears to have a positive relationship and statistically significant at a 0.000 significance level with firm performance when measured by ROA. The result is consistent with previous studies suggesting that institutional ownership has a positive effect on firm

performance (Smith, 1996; Guercio and Hawkins, 1999; Elyasiani and Jia, 2010; Alshammari, 2015) and that it enhances and improves firm performance (Hartzell and Starks, 2003; Maury, 2006). This shows that institutional investors contribute by not only providing financial investment resources, but also providing non-financial resources such as managerial and industrial expertise and technical resources in which improves the firm's profitability and performance on the long run which limits potential agency problems. (Douma, George, & Kabir, 2006; Chahine & Tohme, 2009; Al-Musalli and Ismail, 2012)

Foreign ownership

Foreign ownership appears to have a negative relationship and statistically significant at a 0.011 significance level with firm performance when measured by ROA. The result is consistent with previous studies suggesting that some studies revealed that foreign ownership has a negative on firm performance (Sulong & Nor, 2008; Khamis et al. 2015). The reason is due to the reduced amount of information between the foreign owners and management (Khamis et al. 2015).

Firm size

Firm size appears to have a negative relationship and statistically significant at a 0.000 significance level with firm performance when measured by ROA. This result is consistent with firm size can impact large firms to experience issues of coordination and organization which may negatively influence performance (Williamson, 1967; Rashid et al. 2010).

Williamson (1967) suggests that the increase in firm size may allow management to encounter control loss over the firm. Hence, the firm's management can impact firm performance negatively when control loss occurs within the managerial hierarchy. Furthermore, Williamson (1967) also states that managerial experience is positively related to firm size. Thus, non-experienced or unqualified management could negatively affect the growth of a firm, which leads to lower or inefficient firm performance.

Additionally, Rashid et al. (2010) indicates a negative relationship between company size, when measured by assets and revenue, and a market performance measurement of Tobin's Q.

Audit type

Audit type appears to have a positive relationship and statistically significant at a 0.026 significance level with firm performance when measured by ROA when company hires a Big Four to audit its financials. This result is consistent with Beisland et al. (2015) where it is revealed that in situations which a significant relationship is present between audit quality and corporate governance does exist, the relationship is always positive.

Also, the result shows that Big Four firm could affect a firm's performance positively by leading the firm to implement proper routines and information systems. (Porter et al., 2008; Mohamed et al., 2013)

Revolution

Revolution appears to have a negative relationship and statistically significant at a 0.004 significance level with firm performance when measured by ROA. This shows that the Arab Spring uprising negatively affected firm performance in terms of ROA measurement.

5.2.2 Model 2

$$ROE = \alpha + \beta_1 BrdSize + \beta_2 BrdIndp + \beta_3 Dualit + \beta_4 Div + \beta_5 OwnCon + \beta_6 DirOwn + \beta_7 InstOwn + \beta_8 ForgnOwn + \beta_9 FrmSize + \beta_{10} FrmAge + \beta_{11} IndType + \beta_{12} AudType + \beta_{13} Rev + \beta_{14} GDP + \beta_{15} FX + \beta_{16} FDIO + \beta_{17} FDII + \varepsilon$$

Table (7-1) – Coefficients for dependent variable ROE

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	22.129	7.443		2.973	.003
	BrdSize	.914	.296	.099	3.087	.002
	BrdIndp	-2.924	3.203	-.029	-.913	.362
	DualSep	-8.706	2.674	-.108	-3.257	.001
	Divers	-.928	1.056	-.029	-.879	.380
	OwnCon	.014	.027	.024	.507	.612
	DirOwn	.079	.063	.039	1.266	.206
	InstOwn	.086	.035	.117	2.470	.014
	ForgnOwn	.003	.051	.002	.067	.946
	FrmSize	-.902	.449	-.065	-2.011	.045
	FrmAge	.003	.032	.003	.099	.921
	IndustryType	-.680	1.285	-.015	-.529	.597
	AudType	4.878	1.504	.102	3.244	.001
	FX	.747	.675	.040	1.107	.268
	FDIO	1.022	.849	.145	1.204	.229
	FDII	-.257	.203	-.146	-1.265	.206
	Rev	-5.097	1.663	-.118	-3.065	.002
	GDP	.005	.003	.064	1.700	.089

Table (7-2) – Model Summary for dependent variable ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.216	.047	.036	20.1596923

Table (7-3) – ANOVA for dependent variable ROE

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28344.373	16	1771.523	4.359	.000
	Residual	577919.559	1422	406.413		
	Total	606263.932	1438			

Model 2 examines the effect of corporate governance mechanisms on firm performance measured by ROE. The model is highly significant with F-statistics which is equal to 4.359 and the p – value equals to 0.000 (less than 1%). The independent variables of the same model accounts for 4.7% variations in the dependent variable as indicated R^2 .

Board size

Board size appears to have a positive relationship and statistically significant at a 0.002 significance level with firm performance when measured by ROE. This result is consistent with previous studies demonstrating that there is a significant positive relationship between board size and financial performance. (Dalton et al.,1999; Kiel and Nicholson, 2003).

From a resource dependence theory point of view, a bigger board leads to greater opportunity for more relationships, associations, contacts and links and which allows access to resources. (Pfeffer, 1973; Pfeffer and Salancik, 1978; Kiel and Nicholson, 2003). Hillman et al. (2000) also agrees that directors are considered resourceful towards the firm by providing skills and expertise needed, as well as, access to suppliers, clients and policymakers.

Even though Yermack (1996) states that there is an inverse relationship between board size and firm value, however, the count of directors adds additional skilled expertise and performance to the board until it reaches a certain level where the board size outweighs the additional benefits that is provided. This raises the possibility that there is an inverted relationship between board size and firm performance. (Jensen, 1993; Kiel and Nicholson, 2003). Furthermore, Dalton et al.(1999) states that there is a positive systematic relationship between board size and firm performance.

From an agency theory perspective, boards with larger number of members can exercise better regulation and control on managers than smaller boards. (Freeman, 1984; Donaldson and Preston, 1995; Donaldson, 1999)

Duality Separation

Duality appears to have a negative relationship and statistically significant at a 0.001 significance level with firm performance when measured by ROE due to the separation of chairman and CEO responsibilities. Unifying CEO-Chairman positions is common within Pan Arab countries, especially in family controlled firm, and is considered to be a Gulf phenomenon.

This result is consistent with and supported by the stewardship theory and the resource dependency theory, which states unifying the command by having roles of CEO and chairman held by the same person will facilitate effective actions that are taken by the CEO, which will lead to better firm performance and lead to better beneficial consequences on shareholder returns. Hence, CEO duality can be seen as a positive indicator leading to better corporate performance, because it is seen that the corporation has a clear leadership and vision that can properly direct the company.

Empirical evidence is also consistent with literature review where that the ROE returns to shareholders are improved by combining the role of the CEO and chairman positions. Thus, the results fail to support agency theory and lean towards supporting the stewardship theory (Donaldson and Davis, 1991). Gaur et al. (2015) argued that presence of directors and CEO duality leads to unification of control and command, and consequently higher performance. Moreover, Pfeffer & Salancik (1978) states that directors with more freedom of decision making are more likely to implement strategic decisions that will overcome organizational indolence, which suggests combining CEO and board of directors chairman will lead to less restrictions and pressures on the CEO during strategy implementation.

Institutional ownership

Institutional ownership appears to have a positive relationship and statistically significant at a 0.014 significance level with firm performance when measured by ROE. The result is consistent with previous studies suggesting that institutional ownership has a positive effect on firm

performance (Smith, 1996; Guercio and Hawkins, 1999; Elyasiani and Jia, 2010; Alshammari, 2015) and that it enhances and improves firm performance (Hartzell and Starks, 2003; Maury, 2006). This shows that institutional investors contribute by not only providing financial investment resources, but also providing non-financial resources such as managerial and industrial expertise and technical resources in which improves the firm's profitability and performance on the long run which limits potential agency problems. (Douma, George, & Kabir, 2006; Chahine & Tohme, 2009; Al-Musalli and Ismail, 2012)

Firm size

Firm size appears to have a negative relationship and statistically significant at a 0.045 significance level with firm performance when measured by ROE. This result is consistent with firm size can impact large firms to experience issues of coordination and organization which may negatively influence performance (Williamson, 1967; Rashid et al. 2010).

Williamson (1967) suggests that the increase in firm size may allow management to encounter control loss over the firm. Hence, the firm's management can impact firm performance negatively when control loss occurs within the managerial hierarchy. Furthermore, Williamson (1967) also states that managerial experience is positively related to firm size. Thus, non-experienced or unqualified management could negatively affect the growth of a firm, which leads to lower or inefficient firm performance.

Additionally, Rashid et al. (2010) indicates a negative relationship between company size, when measured by assets and revenue, and a market performance measurement of Tobin's Q.

Audit type

Firm size appears to have a positive relationship and statistically significant at a 0.001 significance level with firm performance when measured by ROE when company hires a Big Four to audit its financials. This result is consistent with Beisland et al. (2015) where it is revealed that in situations which a significant relationship is present between audit quality and corporate governance does exist, the relationship is always positive.

Also, the result shows that Big Four firm could affect a firm's performance positively by leading the firm to implement proper routines and information systems. (Porter et al., 2008; Mohamed et al., 2013)

Revolution

Revolution appears to have a negative relationship and statistically significant at a 0.002 significance level with firm performance when measured by ROE. This shows that the Arab Spring uprisings negatively affected firm performance in terms of ROE measurement.

5.2.3 Model 3

$$DR = \alpha + \beta_1 BrdSize + \beta_2 BrdIndp + \beta_3 Duality + \beta_4 Div + \beta_5 OwnCon + \beta_6 DirOwn + \beta_7 InstOwn + \beta_8 ForgnOwn + \beta_9 FrmSize + \beta_{10} FrmAge + \beta_{11} IndType + \beta_{12} AudType + \beta_{13} Rev + \beta_{14} GDP + \beta_{15} FX + \beta_{16} FDIO + \beta_{17} FDII + \varepsilon$$

Table (8-1) – Coefficients for dependent variable DR

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.210-	.074		-2.839-	.005
	BrdSize	-.005-	.003	-.053-	-1.820-	.069
	BrdIndp	-.043-	.032	-.039-	-1.340-	.180
	DualSep	-.093-	.027	-.103-	-3.422-	.001
	Divers	.015	.011	.043	1.424	.155
	OwnCon	2.245E-5	.000	.003	.083	.934
	DirOwn	.002	.001	.078	2.738	.006
	InstOwn	-.001-	.000	-.099-	-2.279-	.023
	ForgnOwn	.002	.001	.123	4.414	.000
	FrmSize	.054	.004	.357	12.429	.000
	FrmAge	-.001-	.000	-.068-	-2.537-	.011
	IndustryType	-.020-	.013	-.042-	-1.574-	.116
	AudType	.074	.015	.139	4.895	.000
	FX	.015	.007	.073	2.211	.027
	FDIO	.008	.009	.107	.993	.321
	FDII	.000	.002	-.012-	-.118-	.906
	Rev	.034	.017	.071	2.033	.042
	GDP	-1.194E-5	.000	-.014-	-.411-	.681

Table (8-2) – Model Summary for dependent variable DR

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.453	.205	.194	.2122263

Table (8-3) – ANOVA for dependent variable DR

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.042	17	.885	19.646	.000
	Residual	58.372	1296	.045		
	Total	73.414	1313			

Model 3 examines the effect of corporate governance mechanisms on firm performance measured by ROE. The model is highly significant with F-statistics which is equal to 19.646 and the p – value equals to 0.000 (less than 1%). The independent variables of the same model accounts for 20.5% variations in the dependent variable as indicated R^2 .

Duality Separation

Duality appears to have a negative relationship and statistically significant at a 0.001 significance level with firm performance when measured by DR due to the separation of chairman and CEO responsibilities. Unifying CEO-Chairman positions is common within Pan Arab countries, especially in family controlled firm, and is considered to be a Gulf phenomenon.

This result is consistent with Abore (2007) which finds that there is a positive significant relationship between CEO duality and firm leverage. Similarly, Bokpin and Arko (2009) states that there is positive relationship, however insignificant, between CEO duality and firm financial leverage suggesting that CEO's leans towards financing by debt rather than financing by equity when it comes to firm operation strategy.

In theory, CEO duality restricts information dissemination towards board members which leads to the increase of agency costs of managerial decision making which leads to the diminishing board effectiveness in promoting the corporations economic value. (Nelson, 2005; Dahya and McConnell, 2005; Raheja, 2005)

This leads to the recommendation that the survival of organizations is characterized by the separation of ownership and control (Fama and Jensen, 1983).

Director ownership

Director ownership appears to have a positive relationship and statistically significant at a 0.006 significance level with firm performance when measured by DR. This result is consistent with previous studies suggesting that director ownership is positively related to debt ratio of firms, due to managers' financial alignment with outside shareholders which would pursue a levered capital structure which leads to an increase in firm value (Mehran, 1992; Berger et al., 1997). Moreover, Kim and Sorensen (1986) concluded that that firms with greater director ownership is more likely to have higher debt ratios compared to firms with minor director ownership.

Moreover, Kamran and Shah (2014) states that director ownership has a positive impact on Pakistani firms, which supports the understanding managers that are deeply rooted in a firm are more influential in terms of corporate decisions that are skewed within their own interest.

Also, this result is consistent with the shareholder theory which explains the ultimate goal for managers is to use the capital for organizations with a main purpose to increase the returns of the firm, which in response increases the return of the shareholders. Director ownership is considered as a control mechanism that may rationalize the managerial decisions of directors, reduce their moral hazard towards the firm and encourage directors to work more effectively and efficiently, such change in managerial behaviors is as a result of the interest of managers has become more aligned with the interest of shareholders as well as reducing agency costs. (Bathala, 1994)

Institutional ownership

Institutional ownership appears to have a negative relationship and statistically significant at a 0.023 significance level with firm performance when measured by DR. This result is consistent with Bathala et al., (1994) which found that institutional ownership is negatively related to the level of debt. Furthermore, once institutional ownership and monitoring within firms increases, firms may find it ideal to employ minor levels of debt and managerial ownership in order to control for agency conflicts. (Bathala et al., 1994)

Foreign ownership

Foreign ownership appears to have a positive relationship and statistically significant at a 0.000 significance level with firm performance when measured by DR. This result is consistent with Azzam et al. (2013) when examined the effect of foreign ownership on debt showing a positive significant relationship. The explanation for this is that foreign investors improve firm's accessibility to finance as the more foreign owners has more shares in the firm.

Foreign shareholders are considered to be long-term investors that brings along their own vast international expertise and implements organizational and monitoring capabilities within the investee-firms people. Such implementation is likely to inspire new managerial style, which creates mutual trust and collaboration between managers and employees, and hence improves the firm performance (Chahine & Tohme, 2010; Al-Musalli & Ismail, 2012).

Hence, from a resource dependency theory perspective, foreign investors can be regarded as a competitive advantage for a firm when compared to firms with local investors where foreign investors are recognized as providers of resources that are needed for an organization, which further proves that the board of directors is considered to be an important mechanism that links an organization with the external environment (Chahine & Tohme, 2010; Al-Musalli & Ismail, 2012; Hambrick et al., 2015).

Firm size

Firm size appears to have a positive relationship and statistically significant at a 0.000 significance level with firm performance when measured by DR. This result is consistent with Sheikh & Wang (2012) on their study regarding firms in Pakistan. They find that firm size is positively related to the debt ratio, which is supported by the static trade-off model, suggesting that large firms should borrow more due to their ability to diversify the risk and benefit from the tax shields on interest payments. An explanation for the result is that as firms mature and grows older in age, they are likely to depend less on debt over time and are considered to be well-established (Mohamad Ariff et al., 2007)

Firm age

Firm age appears to have a negative relationship and statistically significant at a 0.011 significance level with firm performance when measured by DR. This result is consistent with Pfaffermayr et al. (2013) that firm age has a negative impact on debt ratios which indicate that older firms depends less on debt compared to younger firms. Similarly, it is illustrated that a firm's debt ratio decreases when they pass their start-up phase period (Berger and Udell, 1998; Reid, 2003). Also, the result is consistent with Coad et al. (2013) which stated that ageing firms experience lower debt ratios.

Audit type

Audit type appears to have a positive relationship and statistically significant at a 0.000 significance level with firm performance when measured by DR when company hires a Big Four to audit its financials. This result is consistent with Beisland et al. (2015) where it is revealed that in situations which a significant relationship is present between audit quality and corporate governance does exist, the relationship is always positive.

Also, the result shows that Big Four firm could affect a firm's performance positively by leading the firm to implement proper routines and information systems. (Porter et al., 2008; Mohamed et al., 2013)

FX

FX appears to have a positive relationship and statistically significant at a 0.027 significance level with firm performance when measured by DR. The result explains as foreign exchange rate increases, the debt ratio for a firm increases as well. Bonomo et al. (2003) stated that firms' financial condition can deteriorate if they are denominated with foreign debt and the real exchange rate of the country that the firm is based in depreciates. The excessive debt could lead the firm into bankruptcy risk. (Bathala et al., 1994)

Revolution

Revolution appears to have a positive relationship and statistically significant at a 0.042 significance level with firm performance when measured by DR. This shows that the Arab Spring uprisings positively affected firm leverage in terms of the debt ratio measurement.

5.3 Mann-Whitney Test

After conducting Mann-Whitney U test, results shows that the variables ROA, ROE, ownership concentration, director ownership, institutional ownership, foreign ownership, firm size, firm age, foreign exchange rate, outward foreign direct investment, inward foreign direct investment and GDP are all statistically significant with a 0.000 significance level for all variables (except for foreign exchange rate which is statistically significant with a 0.023 significance level).

Moreover, the variables DR, board size, board independence, duality separation, diversity, industry type and audit type are statistically insignificant.

The variables ROA, ROE, foreign exchange rate, outward foreign direct investment and inward foreign direct investment were a higher mean rank before the Arab Spring uprising compared to during/after the Arab Spring uprising. On the other hand, the variables ownership concentration, director ownership, institutional ownership, foreign ownership, firm size, firm age and GDP were a higher mean rank during/after the Arab Spring uprising compared to before the Arab Spring uprising.

Table (9-1) Mann-Whitney Test Statistics for group variable 'Rev'

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2- tailed)
ROA	372850.500	778300.500	-4.149-	.000
ROE	365547.000	761152.000	-4.308-	.000
DR	409365.000	845076.000	-1.207-	.228
BrdSize	359725.500	612841.500	-.912-	.362
BrdIndp	358544.500	611660.500	-1.020-	.308
DualSep	362860.500	615976.500	-1.364-	.173
Divers	367991.500	621107.500	-.168-	.866
OwnCon	333844.000	939394.000	-18.895-	.000
DirOwn	493645.500	1099195.500	-11.214-	.000
InstOwn	401980.000	1007530.000	-14.504-	.000
ForgnOwn	572209.000	1177759.000	-3.550-	.000
FrmSize	370160.500	806805.500	-4.684-	.000
FrmAge	513524.500	1081169.500	-5.591-	.000
IndustryType	632812.500	1266187.500	.000	1.000
AudType	579500.000	1190565.000	-.154-	.878
FX	599161.000	1232536.000	-2.271-	.023
FDIO	160798.000	794173.000	-30.651-	.000
FDII	178852.000	812227.000	-29.478-	.000
GDP	265507.000	684577.000	-16.602-	.000

CHAPTER 6: SUMMARY AND CONCLUSION

6. Summary and Conclusion

The thesis is about the effect of corporate governance on firm performance in Pan Arab countries. This paper provides an insight understanding of the corporate governance practices the effect of such corporate governance practices on firm performance which is measured using ROA, ROE and Debt ratio in 225 firms, excluding financial firms, operating in 11 countries and stock markets which are Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, and the United Arab Emirates.

The essence of corporate governance is mainly based on the characteristics of integrity, openness, fairness, professionalism and accountability, hence, its implementation is considered to be crucial within an institution and essential for management and business dynamics alike. The adoption of corporate governance mechanisms ensures to achieve a balance between the essential powers of the Board of Directors and their proper accountability, financial stability, economic efficiency, sustainable growth and corporate responsibility.

The paper initially starts with the importance of corporate governance in academic literature and on corporations, as well as its significance over the course of history. Different corporate governance definitions are then examined by using diverse views from various academic literatures and observing governance from different perspectives and point of views for each individual or body involved.

A number of corporate governance theories, their evolution and their implementation into the corporate structure of different companies were mentioned to explore views. The fundamental corporate governance theories discussed within this study was initiated with the agency theory, which later expanded into the stewardship theory and stakeholder theory and later evolved to resource dependency theory, in addition to, the shareholder theory. Different corporate governance theories and guidelines were previously discussed that addresses the cause and effect on different corporate governance variables, and therefore, it is suggested that a combination of several theories along with the implementation of a good fit guideline is best to describe an effective governance practice rather than hypothesizing corporate governance based on a single theory or replicating a guideline that is not best fit for a firm or an industry.

Three important and commonly recognized corporate governance codes and guidelines were mentioned for the purpose of exploring different governance principles and practices that are heavily referenced by institutions and governmental bodies, such as The Cadbury Report (1992) developed in the United Kingdom, Organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance (1999 and 2004) which its headquarters is located in France, and the Sarbanes-Oxley Law (2002) developed in the United States of America. Later on, a brief on corporate governance in the Middle East which is considered to be one of the emerging markets in which corporate governance model has been seen as a new thought, and despite the constant reforms and demands being made as a result of implementing corporate governance practices, challenges have arisen as a result of the Arab Spring aftermath that has swept the entire region due to the widespread of corruption and embedded mal-governance. Addressing such challenges properly and with appropriate implementation, corporate governance should lead to even further reform.

Chapter three introduces the development of the seventeen hypotheses supported by different literature reviews. Chapter four discusses the research methodology of the study such as population and sample selection, data collection, variable measurement and definition and three regression models in order to examine the effect of corporate governance on firm performance in Pan-Arab countries.

Chapter five demonstrates the findings and analysis for the following three regression models:

- Model 1 shows the effect of corporate governance on firm performance measured by ROA. Results show that there is a significant positive relationship with board size, institutional ownership, audit type on firm performance measured by ROA, also there is a significant negative relationship with duality separation, foreign ownership, firm size and the revolution variable on firm performance measured by ROA.
- Model 2 shows the effect of corporate governance on firm performance measured by ROE. Results show that there is a significant positive relationship with board size, institutional ownership, audit type on firm performance measured by ROE, also there is a

significant negative relationship with duality separation, firm size and the revolution variable on firm performance measured by ROE.

- Model 3 shows the effect of corporate governance on firm performance measured by Debt Ratio. Results show that there is a significant positive relationship with director ownership, foreign ownership, firm size, foreign exchange rate and the revolution variable on firm performance measured by Debt Ratio, also there a significant negative relationship with duality separation, institutional ownership and firm age on firm performance measured by ROE.

After conducting Mann-Whitney U test, results shows that the variables ROA, ROE, ownership concentration, director ownership, institutional ownership, foreign ownership, firm size, firm age, foreign exchange rate, outward foreign direct investment, inward foreign direct investment and GDP are all statistically significant with a 0.000 significance level for all variables (except for foreign exchange rate which is statistically significant with a 0.023 significance level).

The variables ROA, ROE, foreign exchange rate, outward foreign direct investment and inward foreign direct investment were a higher mean rank before the Arab Spring uprising compared to during/after the Arab Spring uprising. On the other hand, the variables ownership concentration, director ownership, institutional ownership, foreign ownership, firm size, firm age and GDP were a higher mean rank during/after the Arab Spring uprising compared to before the Arab Spring uprising.

6.1 Research limitations

The issue of data availability in terms of annual reports for companies in such companies was a main issue in order to extract the independent variables board size, board independence, duality and diversity. The hardship in extracting annual reports over the time frame this study follows was due to the following:

- 1- Companies were not required or obligated by the law or the financial regulator of the country to publish such reports at that time
- 2- Companies were not listed in the stock exchange or did not exist at that time

- 3- Companies did publish annual report, however does not mention the category of directors
- 4- Companies no longer publishes previous annual reports considering it out-dated
- 5- In some cases, the website for a company does not exist, inactive or is completely out-dated

After referencing and researching many papers with similar research, annual reports can still be obtained by independent and authorized distributor of information for listed companies in each country's stock exchange. For example, Egypt for Information Dissemination (egID) is the sole aggregator and authorized distributor of the Egyptian stock exchange's (EGX) listed companies' information and could provide financial information, annual reports and other financial reports related to companies listed on the EGX stock exchange. However, such services can only be obtained in exchange for a certain fees.

Other research limitation faced was limited data availability in terms of the dependent variables ROA, ROE and DR while extracting the data from ORBIS for the companies over the years was due to the following:

- 1- Financial data for fiscal year 2015 might not had been available during the date of extraction
- 2- Financial data was not available for some companies and couldn't be obtained by ORBIS
- 3- Companies did not exist at that time

It is worth to mention that it is possible to gather some of the missing dependent variables by using annual reports and financial statements. However, such method was not used in order to unify the collection of data and extracting it from a single source, as well as, time constraints. Similarly, research limitation faced was data availability in terms of the economic variables for some countries in particular years while extracting from the database Zawya.

6.2 Quality of information

During the extraction of independent variables board size, board independence, duality and diversity from annual and board reports, the following was noticed:

- 1- Some board member would resign during the fiscal year and would be replaced with another board member. Both board members would be counted as a single board member.
- 2- Some board member would resign during the fiscal year and would not be replaced. Counting the resigned board member within board size will depend on the number board meetings took place during the year, if the resigned board member attended more than half of the meetings, then the resigned board member will be counted within the board size. If board meetings were not mentioned within the annual report, the date of resignation will be used as a measurement where the resigned board member is counted within board size if resignation date was after September 30th.
- 3- Annual and board reports for a fiscal year are usually published 1-3 months after the fiscal year ends. The possibility of minor changes within the board might occur during the mentioned period. Some companies advertise its new board as its final line-up for the previous fiscal year which might not capture the precise board size and independence.

6.3 Future Research

The study can be further developed by increasing the sample of companies in each country and incorporate and use other controllable variables such as taking in consideration different political and cultural factors depending on the country. Furthermore, the 'DR' variable should be included as an independent variable within the 'ROA' and 'ROE' models, whereas debt is considered to be an important factor in determining debt. Also, the 'ROA' and 'ROE' variables should be included as independent variables within the 'DR' model as well.

Future research should explore the effects of corporate governance mechanisms on a sectorial level, also its effects of various degrees of company size (measured in terms of total assets) for small, medium and large companies. Also, similar studies such as this can be conducted on single countries within the Middle East.

Even though it has been included with the models, the independent variable 'FX' which represents the foreign exchange rate is suggested to be removed within future studies due to most Pan Arab countries, especially in the GCC, has a fixed rate currency which is usually controlled

by the government if the country. Hence, keeping the independent variable in the model will not represent the true relationship on firm performance.

Rather using dummy variables to categorize a firm's industry based on either service or manufacturing, it is best to use dummy variables based on sectorial level for the firms, where the sector level of a firm is an important factor for profitability.

In terms of ownership concentration, it is best to consider the biggest three to five shareholders rather than considering shareholders with 5% of shares or more. The reason is because there might be many shareholders that owns 5% of shares within a company, and hence, doesn't indicate that there is an ownership concentration.

Further investigation can be examined regarding the reasons which led to the significance for the variables test in the Mann-Whitney Test before and during/after the Arab Spring uprising.

Appendix (1)

Table (9-2) Mann-Whitney Test Ranks

	Rev	N	Mean Rank	Sum of Ranks
ROA	.0000	933	967.37	902560.50
	1.0000	900	864.78	778300.50
	Total	1833		
ROE	.0000	931	962.36	895958.00
	1.0000	889	856.19	761152.00
	Total	1820		
DR	.0000	933	905.76	845076.00
	1.0000	907	935.66	848644.00
	Total	1840		
BrdSize	.0000	711	861.94	612841.50
	1.0000	1038	883.94	917533.50
	Total	1749		
BrdIndp	.0000	711	860.28	611660.50
	1.0000	1038	885.08	918714.50
	Total	1749		
DualSep	.0000	711	866.35	615976.50
	1.0000	1038	880.92	914398.50
	Total	1749		
Divers	.0000	711	873.57	621107.50
	1.0000	1038	875.98	909267.50
	Total	1749		
OwnCon	.0000	1100	853.99	939394.00
	1.0000	1099	1346.23	1479506.00
	Total	2199		
DirOwn	.0000	1100	999.27	1099195.50
	1.0000	1099	1200.82	1319704.50
	Total	2199		
InstOwn	.0000	1100	915.94	1007530.00
	1.0000	1099	1284.23	1411370.00
	Total	2199		
ForgnOwn	.0000	1100	1070.69	1177759.00
	1.0000	1099	1129.34	1241141.00
	Total	2199		

FrmSize	.0000	934	863.82	806805.50
	1.0000	907	979.88	888755.50
	Total	1841		
FrmAge	.0000	1065	1015.18	1081169.50
	1.0000	1119	1166.09	1304850.50
	Total	2184		
IndustryType	.0000	1125	1125.50	1266187.50
	1.0000	1125	1125.50	1266187.50
	Total	2250		
AudType	.0000	1052	1080.64	1136838.00
	1.0000	1105	1077.43	1190565.00
	Total	2157		
FX	.0000	1125	1155.41	1299839.00
	1.0000	1125	1095.59	1232536.00
	Total	2250		
FDIO	.0000	1125	1545.07	1738202.00
	1.0000	1125	705.93	794173.00
	Total	2250		
FDII	.0000	1125	1529.02	1720148.00
	1.0000	1125	721.98	812227.00
	Total	2250		
GDP	.0000	915	748.17	684577.00
	1.0000	1028	1171.22	1204019.00
	Total	1943		

Table (9-3) Mann-Whitney T-Test Group Statistics

	Rev	N	Mean	Std. Deviation	Std. Error Mean
ROA	.0000	933	8.474689	8.9505681	.2930284
	1.0000	900	6.998038	9.0312081	.3010403
ROE	.0000	931	14.685404	16.1292923	.5286162
	1.0000	889	11.301397	22.7204779	.7620204
DR	.0000	933	.417275	.2277566	.0074564
	1.0000	907	.431358	.2320194	.0077041
BrdSize	.0000	711	8.34	2.303	.086
	1.0000	1038	8.41	2.153	.067

BrdIndp	.0000	711	.792600	.2040215	.0076514
	1.0000	1038	.796216	.2124805	.0065951
DualSep	.0000	711	.92	.267	.010
	1.0000	1038	.94	.239	.007
Divers	.0000	711	.21	.659	.025
	1.0000	1038	.19	.607	.019
OwnCon	.0000	1100	19.112391	30.6545079	.9242682
	1.0000	1099	46.104377	36.8464686	1.1114682
DirOwn	.0000	1100	1.816455	7.9955158	.2410739
	1.0000	1099	5.024413	11.2272223	.3386675
InstOwn	.0000	1100	14.766536	26.1111175	.7872798
	1.0000	1099	28.731793	29.1391187	.8789771
ForgnOwn	.0000	1100	3.694127	13.2331244	.3989937
	1.0000	1099	4.406515	13.4048499	.4043553
FrmSize	.0000	934	13.155227	1.5366897	.0502820
	1.0000	907	13.493789	1.6364191	.0543364
FrmAge	.0000	1065	23.453521	19.8167818	.6072371
	1.0000	1119	27.201072	20.1182052	.6014149
IndustryType	.0000	1125	.622222	.4850473	.0144613
	1.0000	1125	.622222	.4850473	.0144613
AudType	.0000	1052	.722433	.4480113	.0138128
	1.0000	1105	.719457	.4494680	.0135213
FX	.0000	1125	.843705	1.1116813	.0331439
	1.0000	1125	.822631	1.1009435	.0328238
FDIO	.0000	1125	5.479556	3.1702113	.0945174
	1.0000	1125	1.704142	1.1027549	.0328778
FDII	.0000	1125	22.557751	13.0888469	.3902340
	1.0000	1125	7.717956	5.1549046	.1536896
GDP	.0000	915	242.173595	193.9898857	6.4131078
	1.0000	1028	447.321025	283.6121234	8.8456191

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