Exploring the Implications of Corporate Governance Practices and Frameworks for Large-Scale Business Organisations: A Case Study on the Kingdom of Saudi Arabia

ABSTRACT

In 2006 the Kingdom of Saudi Arabia (KSA) introduced new legislation related to corporate governance (CG). Initial evaluation by the World Bank three years later showed relatively modest implementation of the regulations. This thesis investigates the extent to which this has been adopted over the past ten years. Saudi business has become more globalized, and a more standardised approach to CG is naturally expected by international partners and investors who must themselves justify investment.. This research expands the existing literature on CG by examining the progress of countries with developing economies and relatively weak or new histories of regulated CG.

This thesis explores the extent and form of the uptake of the newest generation of CG regulations, the existing roadblocks and the general current attitudes to corporate governance in KSA, examining the extent of KSA company compliance with KSA corporate governance regulations, the reasons for non-compliance when that exists, and any relevant deficits in the 2006 legislation with respect to international best practice.

This is investigated through the use of a series of interviews and surveys with major Saudi organizations, as well as analysis of secondary information. The mixed method approach of quantitative and qualitative data analysis was selected as providing a means to generate both benchmarking data (i.e. quantitative) and further insight as to obstacles for further adoption (i.e. qualitative).

As the basis for the investigation, questions are structured around four basic pillars

of corporate governance: transparency; stakeholder value; responsibility; and fairness. This linkage of these factors with organisational structure, decision-making and the overall image of the firm within the industry is combined with an examination of how CG affects Saudi business expansion and investments, particularly in relation to how parties from other countries perceive the governance of a company. This perception of governance may condition their views concerning, for example, partnering with and investing in that company.

The secondary data relates to The Saudi Arabian Monetary Agency (SAMA), Sanabil Investments and Saudi Arabia Basic Industries Corporation (SABIC). The qualitative data analysis was taken from interviews conducted from fifteen top managers of large-scale organisations. The quantitative data was collected from three organisations: Almarai, Saudi Aramco and Albaik.

The overall results of the qualitative analysis and the secondary analysis showed that CG plays a vital role in business development. Quantitative analysis supported the idea that transparency, stakeholder value and corporate image are the main attributes of CG in a Saudi context, with statistical analysis indicating that both are essential to company access to private investment and market liquidity The overall findings indicate KSA's need to improve its CG standards further, and taht whilst benchmarking of government-supported institutions such as SAMA and SABIC would be of assistance, the KSA government could play a pro-active role in encouraging businesses to expand best international corporate governance practices.

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Chapter 1: Introduction

1.1 Problem Statement and Thesis Objectives

CG is an important determinant of corporate performance. It also contributes to economic transformation towards a market economy where shareholders' rights are given importance, imposing tougher disclosure requirements for the reduction of asymmetry of information (Hermalin & Weisbach, 2012). Since many developing countries are progressing towards democratic and market-based economies to take full advantage of globalisation, there is strong demand for effective governance systems that protect and attract investors.

Market institutions are relatively weak in most developing and emerging economies, with the Centre for International Private Enterprise arguing that a clear need exists to establish locally adapted political and economic institutions that are adapted to the needs of the economy they regulate and allow for the imposition of rules with some degree of local legitimacy and relevance. (CIPE, 2002). Due to the widespread agreement that corporate failures such as Enron and WorldCom were both the result of outcomes of breakdowns in CG systems and symptomatic of possibly wider flaws, the need for investor protection has become more widely recognised.. Ironically, it could be argued that the globalisation and liberalisation of capital and investment flows has led to the need for an increasing standardisation of CG best practices; if KSA is to adapt to a post-resource extraction economy, attracting more diversified investment will be crucial to that goal.

The current stance of Saudi law appears better in theory than in implementation. In 2006 the the KSA government (KSA) introduced new legislation related to the regulation of how companies are governed, a concept generally referred to as “corporate governance”. This was explicitly identified by the World Bank as an attempt to codify international best practice in a local context and to address market stability concerns that arose after a market correction in the same year. year (World Bank, 2009).

The World Bank has also noted the implementation issues noted above, finding in a 2009 review that “many of the laws and institutions are still relatively new and untested; awareness of the importance of good corporate governance is low, and implementation by companies in its early stages.” (World Bank, 2009 p. 3).

This thesis seeks to identify and evaluate the current state of corporate governance in the KSA, examining:

1. to what extent KSA companies comply with KSA corporate governance regulations;
2. where there is noncompliance, any common reasons and incentives driving that behaviour;
3. possible changes to KSA practices and law that can encourage compliance in future;
4. to what extent the 2006 legislation succeeds in codifying international best practice, and in what areas it has failed to do so.

The thesis will examine this in the KSA context via the following research tasks:

1. Conduct a comprehensive review of the available literature on CG in order to identify the critical base of CG related to policies and practices in developing countries.
2. Produce a conceptual method based on the four pillars of transparency; stakeholder value; responsibility; and fairness to explore quantitatively the extent to which CG practices are adopted within a developing country.

3. Identify how factors of CG impact corporations during the transitional phase
4. Determine through qualitative exploration impediments (cultural and procedural) to further CG reform.
5. Conduct empirical research on CG to validate the conceptual method of CG related to adoption levels
6. Where possible link economic transformation to adoption of international CG best practices

1.2 Significance of the Study

The increasing rise of both globalised investment models and investor demands for transparency are strong policy and management drivers for adoption of modern CG approaches. While 95% of KSA companies remain family-based businesses (Khemakhem, 2011), their scale and breadth have grown to such an extent that they are increasingly seeking outside capital both within and outside of KSA. Satisfying investor CG demands is therefore likely to be a source of competitive advantage for KSA firms, and the conventional models of CG adoption would suggest that firms would have adapted quickly to modern standards. Given that the World Bank (2009) have suggested that this was not the case, a possible adaptation of the models may be required when examining the KSA markets.

It is argued in the literature that the primary driver for GC rules and regulations is the need to provide a mechanism protect shareholders from mismanagement by the internal managers and to demonstrate that protection (Young *et al.* 2008). This may attract outside investors, as risk premiums around exploitation of investors' rights are reducedd. This means that CG is important to both indivudial firms and at the market level.. At the firm level, effective monitoring and controlling systems augment firm performance, but CG is also an important tool for developing and controlling an economy's macroeconomic business environment. Given that Young et al (2008) might suggest that this is a driver of foreign direct investment (FDI), it is possible that the need for adaptation of CG best practices has been limited by the relatively liquid local economy in KSA, large number of KSA-national private investors, and any related decrease in requirement for access to the international market. In short, and unlike similar periods in KSA history, the need for outside investment has led to the need for effective compliance with international standards and best practices. This study will evaluate the performance of KSA's businesses under this metric. This thesis will make a novel contribution to the literature by extending theories of motivations of GC compliance for questions 2 and 3, identifying where cultural or macroeconomic forces may alter those incentives from the CG theory build up through the examination of primarily Western based theory.

This study could provide useful information for developing governmental policy in the KSA, the wider GCC area, and indeed the wider Arabic and developing world economies. The lack of literature around this in the GCC area in particular is striking given the different experinces of KSA and Dubai in adapting to modern GC strategies, and particualry the ability to Dubai to attract several major companies to Dubai for major Western companies whilst reassuring investors that their rights are protected. This will allow for practical suggestions regarding policy to be made, and indeed the resoltuion of question 4 necessarily suggests the required changes to Saudi law to enable the law to reflect internationally accepted best practice.

This thesis also aims to establish a model in which this issue can be studied both longitudinally in Saudi Arabia across its many industries and in other countries. Adoption of such a model will enable more rigorous and more in depth analysis between locales and between various industrial sectors.

1.3 Research Strategy

This research will use both quantitative and qualitative data. The mixed method approach of quantitative and qualitative data analysis was selected as providing a means to generate both benchmarking data (i.e. quantitative) and further insight as to obstacles for further adoption (i.e. qualitative). The quantitative data will be able to objective determine the extent to which international best practices for CG and the KSA regulations for GC are currently being adopted. The qualitative data will help identify the current impediments for further adoption and compliance.

1.4 Definition

Corporate governance has been defined in many ways.

> *Corporate governance system is the combination of mechanisms which ensure that the management (the agent) runs the firm for the benefit of one or several stakeholders (principals). Such stakeholders may cover shareholders, creditors, suppliers, clients, employees and other parties with whom the firm conducts its business (Goergen and Renneboog, 2006)*

Calder (2008) added that CG is a collection of monitoring and controlling mechanisms. However, such controlling mechanisms are determined by both regulatory authorities and firms. These controlling mechanisms are developed to dissuade the self-interested managers (agents) from exploiting the shareholders' (principals) rights in the company. It entails a set of associations amongst a firm's management, board of directors, shareholders, auditors, and stakeholders. These associations, which entail different rules and incentives, offer a framework through which the objectives of the firm are established, and also establish how to achieve these objectives in addition to supervising its performance.

According to Ayuso & Argandona (2007), CG also has to confront the problem of the distribution of the quasi-rents generated by firm~~s~~, which again produces a confrontation between principals and agents, along with several other stakeholders who contribute to the production of quasi-rents, for instance customers, employees, suppliers, local communities, societies, and the environment in general. This poses the question of whose interest the firm should serve and who would be the beneficiaries of firm-produced value. In general, there is a distinction between the shareholder perspective and the stakeholder perspective of the corporation (Branco & Rodgrigues, 2007; Gupta *et al.* 2008). The shareholder perspective assumes that the corporation is a legal instrument for the shareholders that should maximise the shareholders' own interests. On the other hand, the stakeholder perspective, which is more in line with the corporate social responsibility (CSR) strategy, views the corporation as similar to the locus of responsibility relative to a wide group of stakeholders' interests, which should be viewed as the maximisation of the sum of the different stakeholders' surpluses (Rahim, 2013).

From the stakeholder's perspective, including societal obligations such as the rights of debt holders, safe communities and workers' rights, Young *et al.* (2008) have suggested that CG constitutes the monitoring and controlling mechanisms that can be defined by regulatory authorities or by the company itself to prevent self-interested managers from exploiting the stakes of shareholders and stakeholders. Explaining the theoretical aspects of CG, Raut (2009) identified different stakeholders from an effective CG-related framework of an organisation. According to Raut (2009), stock exchange and government authorities, agencies, management personnel, such as the board of directors, executives at different levels, line managers, equity and preference shareholders, debtors and auditors of organisations, can be considered the prime stakeholders for the CG framework of the organisation. Moreover, other parties can partially affect the implication of CG within the organisation. These influential stakeholders are suppliers, creditors, the community, lenders and customers. Therefore, in order to safeguard the interests of different stakeholders, superior CG is needed.

Mallin (2010) has defined CG as an integral aspect of the operational practices of a business organisation, elaborating that CG practices are also quite integrated with the corporate social responsibilities of the organisation. CG practices help the business organisations to secure the interest of its shareholders and of society. The CG structure of a company highlights its policy framework and the manner of presentation of its financial documents, so that the possibility of any financial frauds can be minimised. In relation to this, Gugler (2004) has explored the concept of CG in the case of multinational business organisations, stating that firms are expanding their operations outside their home bases, and countries are also making efforts to attract those firms to invest in their domains. However, to attract such private investors, a strong monitoring and controlling system is required to protect their rights in the company. CG provides such a monitoring and controlling system. In this way, CG is linked to foreign direct investment (FDI), and can contribute to the economic transformation into a market-based economy (Gugler, 2004). La Porta *et al.* (2000) have stated that an effective governance system ensures the disclosure and transparency that ultimately reduces asymmetric information and contributes to the development of an efficient market. In the same way, another consequence of an effective CG system can be attributed to the investor protection that motivates the development of a market-based economy.

1.5 Theoretical Context of the Research Work

Corporate governance (CG) plays a crucial role in a firm's commitment to and implementation of ethical practices within the entire organisational framework, and in relationships with customers, employees, shareholders, creditors, and regulators. CG also monitors and facilitates effective management and legal conformity and averts improper and unlawful behaviour. The importance of CG has been highlighted by a chain of financial scandals including Polly Peck in 1990, Bank of Credit and Commercial International in 1991, Barings Banks in 1995, Enron in 2001, WorldCom in 2004, Satyam in 2009, and the fall of Lehman Brothers in the fourth quarter of 2008, which was part of a global financial crisis with devastating economic repercussions.

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There are many characteristics of PP conflicts, such as weaker institutional protection for the minority shareholders and concentrated ownership and control (Young *et al.* 2008). PP conflicts also give rise to various indicators of weak governance, including fewer publicly traded corporations (Li & Qian, 2013), poorer firm valuations (Ali, 2014), an inferior degree of dividends payout (La Porta *et al.* 2005), insufficient information for the share prices (Morck *et al.* 2000), weaker strategies (Wurgler, 2000), insufficient investments for innovations (Peng & Sauerwald, 2013), and, in various circumstances, expropriations of minority shareholders (Mitton, 2002). In the views of Young *et al.* (2008), the welfare of shareholders can be explained in terms of maximisation of the shareholders' wealth.

1.6 CG quality

Good CG – the extent to which corporations operate in an honest and open way – is significant for the overall confidence of the market, the efficient allocation of capital, the development and growth of the industrial foundations of a country, and for the ultimate betterment of the wealth and welfare of nations. The key features of good CG include transparency of firm structures and operations, the accountability of the boards and the managers to the shareholders, and corporate responsibilities towards the stakeholders. However, there are no generally agreed standards for determining good governance (Mayne, 2007).

The ideas of disclosure and transparency are at the centre of good CG. Disclosure creates trust among suppliers at the firm level, and transparency creates confidence at the economy level. Therefore, from both angles, CG results in the efficient allocation of capital. Ever since the first academic discussions of CG, there have been debates on the true nature and scope of CG mechanisms, giving rise to the question of whom CG should really represent. Therefore, the issue of whether a corporation needs to be run purely for the interest of the shareholders or whether the firm needs to acknowledge the interests of all constituents or stakeholders has been extensively examined. In this regard, two definitions of CG could be considered for highlighting the distinction in this point of view: ~~as~~ Mayer (1998, p. 237) states that CG 'is concerned with ways of bringing the interests of investors and manager into line and ensuring that firms are run for the benefit of investors', while to Keasey *et al.* (1997), CG entails 'the structure, processes, culture and systems that engender the successful operation of organisations' (p. 2). From these two definitions, the issue of debate is whether the acknowledgement of claims of a broader array of stakeholders, compared to those of shareholders alone, is a lawful concern of CG.

The notion that the purpose of the modern firm is to maximise shareholders' value along with usual ownership and capital market aspects has been related to the Anglo-Saxon model of CG mostly prevalent in Anglo-American countries (e. g. the US, the UK, Canada, Australia, New Zealand). This contrasts with the German and Japanese notion of the corporation as a social institution. In marking this difference, academics have mostly concentrated on the level and characteristics of the separation of ownership and control.

The Anglo-Saxon model is marked by clear partition between the management control and shareholder ownership, and consequently is viewed as an outsider system of CG. It also places a great reliance on: equity finance; dispersed ownership; strong legal protection of shareholders; strong bankruptcy regulations and the courts; lesser roles for creditors, employees and other stakeholders in company management; strong requirements for disclosure; and considerable freedom to merge with or acquire other organisations (Rosser, 2003).

The German and Japanese model is viewed as the insider system, and is characterised by: a high reliance on bank finance; concentrated ownership; weak legal protection of minority shareholders; a central role for stakeholders in the ownership and management of companies; weak disclosure; and limited freedom to merge or acquire. These models and the corporate culture within these countries have an impact on the corporate governance practices of these countries (Rosser, 2003).

It is arguable that the Anglo-Saxon models are an inherently bad fit with the Saudi market. The Saudi government has several fewer tools when dealing with local companies, as the informal nature of business contacts often means that relationships are personal as well as professional, and many normal market incentives do not apply. In addition, the liquidity of local investors means that relationships often pre-exist the investment. This suggests that a great deal of the insider model suggested by the German and Japanese models are socially rather than governmentally enforced, and thus models such as the stewardship model may apply more directly because of the social capital that is or is not retained from position to position as the SMT make decisions and move on. This also implies a relatively narrow focus on shareholder rather than stakeholder interests, as the regulatory frameworks to encourage that broader view appear limited under the 2006 law.

According to Mayne (2007), in terms of principles, the fundamentals to any CG framework consist of establishing the roles of the board and senior executives with a balance of skills and experience, depending on the nature and extent of organisational activities. There is a fundamental need for integrity among the individuals who could influence the organisational strategy and financial performance, influenced by responsible and ethical decision-making that acknowledges not only the lawful obligations but also the interests of the stakeholders. Also, meeting the needs of information for the modern investment community has become paramount in relation to the attraction of capital and accountability. Therefore, the principle of CG also demands a process that safeguards the organisation's integrity of reporting in both internally and externally for the presentation of the corporation's financial and non-financial status.

The principles of CG are that the process must offer a balanced and timely snapshot of all organisational material matters, recognising and upholding the rights of the company owners, i.e. the shareholders. Every business decision has an aspect of ambiguity and carries risk, and good CG requires that these should be managed by internal control and effective oversight. Finally, the principles of CG include the idea that rewards are required for attracting the necessary skills for the achievement of performances that are expected by the shareholders. In terms of CG, each of the principles should be taken equally into account.

1.7 Implications of CG

The significance of a construct can be explored through its implications. CG has been studied from different perspectives by scholars from different areas such as finance, law, economics, and even management (Alghamdi, 2012; Almajid, 2008). These studies found several implications of good CG systems with respect to economic, social and legal perspectives. These implications can be evidenced at both firm level and national level.

The focus of the literature on corporate finance can be attributed to the increase in firm value. At firm level, it is commonly believed that effective CG systems lead to high firm performances (Black & Khanna, 2007). Managers are the agent of their shareholders and they should perform their duties to maximise the shareholders' wealth. Strong monitoring and controlling mechanisms ~~en~~force managers to work in the best interest of their shareholders, resulting in high firm performances (Devos *et al.* 2009). CG practices are also related to firm value, and researchers have also confirmed this relationship for both developed and developing economies (Fallatah & Dickins, 2012). So, it can be concluded that governance mechanisms are closely related to firm performances and firm value.

CG systems are also related to the economic system of a country (Gugler, 2004; Mueller, 2006). For instance, effective governance systems keep the economic system more stabilized and avoid potential bankruptcies through protecting shareholders' and stakeholders' rights. The significance of CG in stabilising the system and avoiding bankruptcies is more prominent due to the recent global financial crises, with requirements of strong monitoring and controlling mechanisms. Similarly, effective CG mechanisms also help in the development of capital markets (Farber, 2005).

Globalisation and economic liberalisation are the critical phenomena of the 21^{st} century that highlight the importance of studying CG policies and their implications (Gugler, 2004). The purpose of this study is also to explore the implication of CG practices with respect to firm performance and economic transformation of developing countries into market-based economies. Therefore, this study investigates the CG transition in developing and emerging countries from an organisational and economical perspective rather than from a legal perspective. The next section briefly explores CG practices in these economies.

1.8 CG in developing economies

The principal focus of this research is CG practices of large-scale business organisations in developing countries and related regions. Various studies from the World Bank have revealed good governance to be one of the most significant fundamental engines for development, economic growth, and prosperity (Saidi, 2004). Enhancing the general governance climate of any country, by reinforcing the framework of transparency and accountability and rule of law, is crucial in implementation of projects, creation of new job opportunities and improvement of investment flows, international capital, and trade.

CG continues to be acknowledged as comparatively weak in developing countries due to the poor quality of local CG systems, along with the paucity of firms that trade their shares widely. Developing markets are not as focused on corporate control as markets in the Anglo-Saxon model, and tend to be imperfect, suffering from informational deficits compared to markets in the USA and the UK (Singh, 2003). Shaker & Elgiziry (2014) have found that the developing markets differ from developed markets in terms of accounting transparency, liquidity, governance, volatility, taxes, corruption, and transaction costs. Singh & Zammit (2006) assessed that the most significant imperfections in the Asian way of conducting business are: weaker CG; imperfect competition; and strong associations between businesses, government and banks, leading to crony capitalism.

The reason for considering introducing CG in developing economies is the need to build investor confidence, attract foreign and local investments and expand trade (Abhayawansa & Johnson, 2007). International institutions like the IMF, the World Bank and the OECD also indirectly influence the developing countries to improve their CG mechanisms and regulatory infrastructures (Athukorala & Reid, 2002). According to Mobius (2002), CG adoption was stimulated by the notion that the financial crisis that hit Southeast Asian stock markets during 1997 and 1998 was partly due to the weaker CG in the region., which, according to Monks & Minow (2011), resulted in governance reforms in developing economies to restore investor confidence by offering a secure institutional platform on which to construct the investment markets. However, Singh (2003) believes that ‘although there might be shortcomings in corporate governance in many developing countries, leading emerging countries have vibrant product markets, displaying as much intensity of competition as that observed in advanced countries. Furthermore, despite the capital market imperfections, stock markets in these countries have been growing fast and contributing significantly to corporate growth through new primary issues' (pp. 459 – 460). Therefore, the fundamental focus of this research work is on CG systems in developing countries and regions.

In developing economic regions like the Gulf Cooperation Council (GCC), long- and short-term policy changes play a vital role in transforming the state, with both positive and negative implications for development. Many factors, such as trade mechanisms, market control, competition, resources allocation, policy, regulations and privatisation all heavily influence the political, economic, social, technological, environmental, legal, and cultural transformation of the state (Kofter, 2007; Palubinskas, 2005). Along with these changes, other transformational effects arise from globalisation, recession and uncertain market dynamics from around the world. The prevailing market structure in these countries makes it extremely challenging for governments in countries such as Saudi Arabia, Oman, and Qatar to maintain growth and development. This study makes an effort to find a solution to this problem.

1.9 CG in Saudia Arabia

The changing policies of CG in GCC countries may influence the economic transformation of states into market-based economies (Baydoun, 2013). This is especially true for Saudi Arabia, where CG practices are being paid special attention by the government and firms, especially since 2006, when the first code of CG was issued by the Saudi Capital Authority (Fallatah & Dickins, 2012). Changes implemented by state administrations have effects on national competitiveness and on firms, via trade patterns and the growth of the region (Kofter, 2007).

Saudia Arabia issued its first code of CG in 2006 (CMA, 2006). However, the code was amended in 2009 and 2010, and these two events are critical to the transitional phases of CG practices in the country. From 2005, various accounting and auditing standards were reformed to ensure fairness. The first part of this research therefore focuses on investigating the extent to which firms adopted CG practices for these transitional phases and the effects of the adoption of CG practices on their performance. In this study, the emphasis is given to four pillars of CG: transparency; stakeholder value; responsibility; and fairness.

However, these changing policies can have both positive and negative implications for economic transformation, so this study also explores the effects of changing CG practices in Saudi Arabia with respect to the economic transition towards a market-based model. Saudi Arabia has been reliant on oil revenues for many decades, but is now moving towards non-oil sources of revenue, trying to attract investment in other sectors as a future based on oil revenue is not secure (Fallatah & Dickins, 2012). In Saudi Arabia, foreign investors are not allowed to invest directly in the Saudi Stock Exchange. Before 2007, foreign investors were only allowed to invest through mutual funds, and later the Capital Market Authority (CMA) only permitted investors to invest through middlemen. However, the country is changing its policies. Saudi Arabia now allows FDI in accordance with the rules of Qualified Foreign Investors that came into effect in [June 2015]'.

The above indicates that the country is trying to follow a market-oriented model to attract FDI. This requires the strong investor protection that might be gained through the monitoring and controlling mechanisms of CG systems. Changing CG policies can positively affect the economic transformation of the country towards a market-based economy, so this study tries to investigate this predicted relationship between CG transitions and the economic transition of Saudi Arabia to a market-based economy. This thesis therefore studies the transitional phases of CG practices in Saudi Arabia and their impact on the performance of firms and on the economic transformation of the country into a market-based economy, while also considering the challenges of market structure where the majority of firms are family-owned or state-owned businesses. The findings of this study will have important implications for the strategic change management solutions required to achieve the desired transformation.

1.8 Development of a Corporate Governance Framework

Researchers have demonstrated that an effective CG framework demands several elements:

rights allowing shareholders to hold companies to account; the availability of information needed to assess the performance and governance of companies; and anticipation of behaviour on the part of companies, transmitted either through codes or law. For example, the Financial Reporting Council in the UK believes that the law could impose basic standards of conduct and transparency, while codes could be more effective for encouraging best practice (FRC, 2011).

1.8.1 Shareholders' Rights and Responsibilities

Shareholders exert a vital role in holding boards to account, and they therefore need rights, which they must exercise responsibly. Prior to the recent global financial crisis, the emphasis of CG was primarily on the 'supply side' i.e. the roles of directors (FRC, 2011). However, policymakers now acknowledge the crucial role of the 'demand side' as well, and so there is a need to promote shareholder engagement and remove obstacles to it, making the 'demand side' at least as significant as the 'supply side' (UNCTAD, 2010).

Researchers have examined the influence of shareholders on CG and have found that compliance with codes is higher in corporations where shareholders appoint one or more directors and where institutional investors participate in AGMs (Bebchuk *et al.* 2009). This is probably influenced by one of the primary purposes of CG, to maintain accountability between boards and shareholders. However, shareholders' rights and responsibilities are defined by different laws and codes in various countries. Compared to other jurisdictions such as the USA, the CG system of the EU features robust shareholder rights. For instance, the Directive 2007/36/EC has set out several basic rights such as the right to information (EU, 2007). National company laws are also vital in setting out shareholder rights. For instance, UK laws allow shareholders with 5% of the share capital to call general meetings or remove board members with a majority vote.

In designing the shareholders' rights and responsibilities, it is crucial to take prevailing ownership structures into account, as differences in structures based on ownership can create big differences in the capability of shareholders to hold boards accountable. For example, in the UK, shareholdings in excess of 6% are rare in the largest firms (though often the larger shareholdings are those of institutional investors such as pension funds, and they may consult with other similar shareholders), Only 16% of the largest UK organisations have a shareholder with more than a 25% stake, and just 6% of these have a majority shareholder (FRC, 2012). France and Germany have greater concentrations of ownership. In 85% of the largest German corporations and in 79% of the largest French organisations there is at least one shareholder with a stake in excess of 25% of the total. In over 50% of companies in these two countries, there is a single majority shareholder.

Both the UK model and the German/French model have strengths and weaknesses. For example, a more dispersed ownership structure may offer less risk of minority shareholder interests being expropriated, but it may cause obstacles in the effective organisation of shareholders to hold boards to account. The opposite might also be true in a concentrated structure of ownership.

1.8.1 Precise and Pertinent Information

To influence the performance of organisations, investors need information on which to base their decisions and to be effective: engagement between the investors and the boards should be founded on precise and pertinent information (FRC, 2011), as capital markets would not exist without any confidence in information. Zhu (2009) finds that there is evidence that poor governance increases the cost of capital. Information regarding management, strategies, and risk is used by the investors to assess investment risks and avoid problems of information asymmetry. Accurate and timely information produced through good governance can decrease perception of risk and reduce cost of finance. Good CG also reduces information asymmetries between investors and management through standards that promote standardisation and transparency of information across industries.

The significance of information is also mirrored in laws and codes. EU and national legislations offer basic rights to information. For instance, Directive 2007/36/EC offers shareholders rights to information relating to general meetings, while Directive 2004/109/EC requires traded corporations to publish an annual management report covering, amongst other things, their principal risks (EU, 2007). Codes could be developed by setting flexible targets for sharing information that is relevant to an organisation's particular context and in its shareholders' interest.

1.8.2 Corporate Behaviour

As explained earlier, shareholders' rights and the availability of accurate and relevant information are vital for effective governance, constituting the 'demand-side' of CG. However, the 'supply-side' is just as significant, forming the standards of behaviour expected from an organisation. Standards are employed by directors for structuring company processes so they meet corporate objectives efficiently and sustainably. These standards, just like provisions on the demand side, contain both laws and codes. The balance between the two varies from country to country. For example, the requirement to disclose directors' remuneration and allow shareholders to vote on this matter is set out in laws in some EU member states and in codes in others.

Most EU member states use a combination of company or security laws and 'comply or explain' best practice codes. Laws set the necessary requirements while codes set standards considered as best practice. These differences are significant. Laws might be less effective in setting best practice standards, because codes could employ broad principles, such as that each organisation should be headed by an effective board, while laws must be more prescriptive to be enforceable.

Differences in expectations can also be observed in the varying corporate structures of European boards. For example, the UK is the only EU country with all of its listed companies governed by a unitary board (Heidrick and Struggles, 2011), while European averages for board structures are as follows: mixed system – 31%; two-tier – 42%; and unitary – 27%. Rather than reflecting a ranking of the quality of CG, these differences are a reflection of the differences of legal provisions in various countries, as well as differences in historical development, attitudes toward business, and perceptions of what best drives economic growth.

1.8.3 Research Setting

The research setting represents the areas where the research work is to be conducted. This research takes Saudi Arabia as the setting for investigation of CG practices. Being a member of the G20, Saudi Arabia has the largest Gulf economy in terms of GDP and oil production. Although the country relies heavily on oil revenues, the Saudi government has realised that the country cannot solely rely on oil and needs to attract FDI in other sectors as well (Al-Moataz & Hussainey, 2012). Initiatives to attract FDI require strong monitoring and controlling mechanisms, so a set of Corporate Governance Regulations were established by the Capital Market Authority in November 2006, after the market crash in 2006 (Al-Matari *et al.* 2012). However, the CG system in the country is not defined by a single regulatory system. Rather, the CG system is composed of various rules and regulations of different government bodies, so there is no single regulatory document that covers all the CG rules and regulations for the country.

As mentioned above, there are two basic CG models: the Anglo-American model and the German-Japanese stakeholder model (Fallatah & Dickins, 2012). The Anglo-American model, known as the market model, is based on shareholder wealth maximisation, consisting of a one-tier system where shareholders elect the company board of directors, who are considered to be the chief governing body, implying that individual shareholders cannot significantly affect the company's direction. Conversely, the German-Japanese stakeholder model broadens the scope of CG, including the rights of other stakeholders such as workers, debt holders, and communities as a whole (Young *et al.* 2008).

According to Fallatah & Dickins (2012), Saudi Arabia has used the Anglo-American model of CG, establishing the guidelines regarding shareholders' rights, disclosure, transparency and the board of directors. However, as previously mentioned, these guidelines are set by different governmental agencies, and many CG rules have been found to overlap within the Saudi CG framework. Al-Swidi *et al.* (2012) noted that the country, like other emerging economies, has been tightening its CG practices for the last few years. Therefore, the most significant aspect would be the exploration of the implications of these types of reform in Saudi Arabia at both firm and national levels. Therefore, the purpose of this research is investigation of the impacts of these reforms on firms' performance and on the economic transformation of the country into a market-based economy.

Most previous studies on CG in Saudi Arabia explored one aspect of CG, such as disclosure and transparency or the board of directors. Conversely, this research will study the four pillars of CG, and try to relate them to firm performance and to the economic transformation of the country into a market-based economy. However, the implications of CG reforms on firm performance and economic transition can be influenced by various obstacles and challenges, such as the fact that most Saudi Arabian organisations are family- or state-owned. Therefore, this research will emphasise the change management needed to transform the country's economy into a market-based economy through effective CG rules and regulations.

1.9 Thesis Organisation

Chapter 2: Literature Review

In this chapter, CG theories will be discussed, along with various reports that provide guidelines for effective governance systems. This chapter will also discuss the background of CG and its four pillars i.e. transparency, fairness, accountability and responsibility. Finally, this chapter will provide a detailed view of the current and transitional phases of CG system development.

Chapter 3: Research Methodology

Chapter 3 will present the details of the research methodology used to attain the research objectives. The way in which tools and techniques were selected will also form part of this chapter.

Chapter 4: Secondary Analysis of the Study

Chapter 5: Primary Data Analysis

Chapter 6: Conclusions, Implications, Contributions, Recommendations and Future Direction

This chapter will conclude all the results obtained from chapters 4 and 5, and will provide the change management solution for policymakers.

In the final chapter, the obstacles and challenges that could affect the positive implications of CG practices in Saudi Arabia will be explored.

Chapter 2: Literature Review

2.1. Introduction

This chapter introduces the fundamental basis of CG scholarship, the general theories about GC, and the theoretical background relating to firm performance and economic transformation. This includes agency theory, stakeholder theory, stewardship theory, and resource dependency theory. Next, the pillars of corporate governance are address. These encompass transparency, accountability, fairness, and responsibility. Following this, the implication of corporate governance in large-scale corporate business organizations is considered. The next topic introduces a corporate governance index to assess the adoption of corporate governance practices by business corporations. The later portion of the chapter considers the impact of corporate governance indices on large-scale firm performance, the impact of corporate governance indices on the economic transformation of developing countries, and a conceptual model. The chapter concludes with the compatibility of organisations with corporate governance concepts and rules and the challenges in the application of corporate governance policies in KSA

2.2 General Background

The control of corporate activities is a key role of boards of directors, so CG has become an important focus for businesses (Heracleous, 2001). CG best practices result in increased transparency in the functioning of a business and improved accountability of the management towards stakeholders. Better compliance with CG practices results in greater business performance (La Porta et al. 2000). With effective CG practices, a division of responsibilities ensures balance of power and authority among management personnel. CG practices have dual functions within business organisations, fostering leadership and unified practices and monitoring the workings of the organisation (Lipton and Lorsch 1992).

The composition of the board determines the financial performance of a business, while board functions are directly influenced by CG practices (Forbes and Milliken 1999). The current state of a business organisation is related to the governance practices exercised by its top management members (Hart 1995). Board vigilance is also a major function under CG, and the operationalisation of this concept in business processes results in rapidly improved organisational functions.

The functioning of good CG practices is mainly based on the expertise and views of the management team (Carcello et al. 2006). To improve their business performance, firms need to tailor their organisational structure and business processes to changes in the external business environment, and to ensure that CG practices are altered accordingly. CG practices have several implications for business organisations. Through strong compliance with CG practices, business organisations not only comply with notions of corporate social responsibility, but also maintain and improve their corporate image by safeguarding the interests of stakeholders (Ashbaugh-Skaife et al. 2006). By effectively applying CG practices, business organisations can also improve their environmental performance by minimising the negative impact of their business processes on the environment. Compliance with CG practices helps businesses avoid the ethical and legal issues that can affect the sustainability position of their business (Mruthyunjaya, 2013).

CG practices strengthen managerial power and even the financial performance of a business (Holmstrom and Kaplan 2003). Effective CG ensures the respect of executives and means that their rights within the organisation can be secured in a mechanised way. Through effective CG practices, the distribution of wealth among different business people, as well as the protection of their rights, can be accomplished in a responsible manner (Palpacuer 2008).

Business organisations have multiple objectives in relation to their performance. In business organisations, corporate structure plays a significant role in determining business processes and operations. A key function of CG in business organisations is to protect the infrastructural setting of firms and secure them against external threats (Davies, 2012). CG practices focus on business ethics and enable firms to assess any problems encountered with respect to the success of the business, as well the factors that can hinder the growth of the business. Several ethical issues may affect business performance, including environmental degradation, corruption in business practices and the scope for survival in the long run (Fernando, 2010). To secure business performance against all these critical issues, CG policies provide a solid background to eliminate malpractice in the overall business process, so helping firms support the welfare of the society.

2.2. Theoretical Background relating to Firm Performance and Economic Transformation

In business organisations, CG is an essential practice and avoidance of this practice results in critical management issues. The main problems that give rise to CG-related issues in business organisations are conflicts of interest and agency problems (Baysinger and Butler 1985).

Zu (2008) has noted that from the perspective of the long-term sustainability of an organisation, the proper application of CG measures can be quite helpful. Corporate governance can be crucial in enhancing firm performance, as well as in inducing economic transformation within a region. CG-related rules and regulations allow the organisation to have a better and more effective approach to its operational framework, which helps the company attain desired success. CG regimes help to prevent any economic fraud that might harm the economic sustainability of the region. In this way, CG regimes have an important effect on firm performance and economic transformation.

In relation to the application of CG practices in organisations and the performance of an organisation, several theories have been proposed. These theories emphasise the importance of the application of CG practices in business organisations, as well as highlighting the problems issues that business firms can face through the avoidance of CG attributes and activities. Several of these theories are described below.

2.2.1. Agency Theory

The main assertion of agency theory is that there is divergence between the interests of managers and those of the owners of business organisations, and that it is essential for managerial bodies to incorporate an effective mechanism in their decisions in order to ensure that their actions effectively safeguard shareholders' interests (McDonnell et al. 2001).

Agency theory focuses on improving the efficiency of business performance from the perspective of the shareholders. Agency theory argues that within an organisation, managerial bodies should fulfil their roles as stewards and should have high concern for the welfare of the organisation in all situations in which conflicting interests exist, and that if they do not have this focus, the organisation may be managed in the interests of managers as agents rather than the interests of shareholders as owners.

In agency theory, the approach of under-contextualisation is found to be restricted to two bodies: managers and shareholders. There are several cases analysed using agency theory that demonstrate the positive relationship between CG practices and improved business performance of firms (Tricker and Tricker, 2012). The theory has also determined that good corporate performance is not only based on CG practices, but that the nature of institutional investments also determines the level of performance of firms.

According to Grant (2008), agency theory deals mainly with minimising conflicts that arise between management and shareholders. The implication of agency theory are positive and normative. Agency theory protects the rights of management personnel as well as those of other stakeholders. The elimination of conflicts of interest in business organisations saves some costs of agency management (Academic Conferences, 2008), including monitoring cost, residual cost and bonding cost. In organisations, agency problems can sometimes occur due to unequal distribution of information. Here, agency theory supports the prevention of agency problems and provides a strong base for balancing the interests of different parties.

As proposed by McDonnell et al. (2001), agency theory has a common role for companies around the world. CG practices focus on the role of the board in ensuring managerial compliance with the objectives of the organisation (McDonnell et al. 2001). In the views of Doh and Stumpf (2005), the business processes of organisations involve different kinds of corporate issues related to CG processes. Agency theory deals with these CG issues (Doh and Stumpf, 2005) by suggesting that the agency relationship is in the form of a contract where service functions are performed with the contribution of multiple parties. In this process, the delegation of authority is linked to the decision-making process. In the day-to-day operations of the business, shareholders do not have any explicit control. In the governance of business mechanisms, CG practices play a significant role in determining business functions (Doh and Stumpf, 2005). The agents in business organisations work as civil servants, who need to fulfil the social responsibilities of the business.

Htay et al. (2012) state that agency theory provides several guidelines for the corporate sector, suggesting that in a good CG system, a high degree of transparency can be maintained in business organisations, by requiring managers to properly disclose information to ensure that the business is pursuing the interests of all stakeholders. Poor corporate governance can damage a company's corporate image, while in periods of economic crisis, system risks are generated for management teams, so an effective CG mechanism is required to secure corporate image (Htay, et al, 2005).

Agency theory would appear to have some limitations. Arguably the main one is that it assumes that there are only two entities: corporate management and stakeholders. In this way the corporate management serves as a proxy for its employees and even its supply chain. Similarly, the stakeholders role (usually considered as those with direct equity in the company through either loans or stockownership) serve as proxies for the consumers. Both are quite imperfect. In the first case management and employee (either direct or indirect through union representation) interests are often if not oppositional then certainly not in accord over many topics including wages, working hours, and benefits. While both groups want the company to be holistically healthy, the extent to which this is desired in terms of direct profits and/or dividends can differ greatly as it is often a function of lower employee rewards and higher expectations. Similarly, stock holders want a company to be profitable, which may be a very different thing than providing the best quality goods and services possible, as would be in the direct interests of the consumers. The other problem with this theory (and many others) is that it does not recognize other agents such as the general public and regulatory agencies. There is no structure in the theory to explain or demonstrate their influence on the process.

2.2.2. Stakeholder Theory

Stakeholder theory recognises that following CG practices in an effective manner is determined through the functions of different actors within an organisation and through their interaction with and involvement in the organisational decision-making process. According to Kakabadse et al. (2005), the core of stakeholder theory states that business organisations need a good relationship with stakeholders and so business people need to govern the processes and outcomes of the business in a secure manner. The major function of CG applications in a business organisation is to grant high value to the interests of all legitimate stakeholders.

The central focus of stakeholder theory is on the decision-making process of managerial bodies (Kakabadse et al.,, 2005). As per this theory, the prime concern of managers consists of the obligations towards the stakeholders of the business. There are several strategic options available to management and it is their duty to select options that safeguard the interests of its stakeholders (Kakabadse et al., 2005). This theory reflects the future-oriented view of the business by focusing on fulfilling legal, moral, social, technological and ecological requirements of the business. This theory rejects profitability as the sole corporate goal of the firm. Rather, it is primarily concerned with stakeholders' value (Kakabadse et al. 2005). Stakeholder theory gives priority to morally acceptable social goals over the corporate objectives of business. While stakeholder value tries to consider the larger concept of stakeholders there is no distinction between those in subsidiary roles (e.g. employees), versus those of the regulatory/public interest concerns, versus the general consumers. As issues of cost, quality, and safety all intersect (sometimes inversely) with profit generation for shareholders, lenders, and management, the theory poorly describes areas of overlap and incompatibility.

2.2.3. Stewardship Theory

It has been argued by McDonnell et al. (2001), that stewardship theory also provides a good background for implementing CG practices. In this theory, managers, as the controllers of an organisation, should act as stewards. Stewardship theory promotes partner-style working relationships between board members and the management team (McDonnell et al. 2001). It is the responsibility of the board members to add extra value to the organisational process by supporting management in their strategic decision-making.

Aduda et al. (2013) state that being stewards, the directors and managers in business organisations must be trustworthy and so must show good stewardship of organisational resources. This theory states that superior corporate performance is highly dependent on the duties and functions of inside directors and corporate leaders (Aduda et al. 2013). The decision-making process of senior managers should be governed so that they can fulfil all CG obligations responsibly.

Stewardship theory suggests that managers in organisations have autonomy, through which the costs of monitoring can be minimised and the corporate behaviour of managers and directors can be properly controlled (Aduda et al. 2013). In CG practice, efficient decision-making of managers is essential, and it is the duty of managers to govern business activities with effective leadership practices.

The main challenge with stewardship theory is that it assumes that the agents involved in stewardship are completely unconstrained. In reality there are always not only multiple factors but often multiple layers of factors that serve as both hard and soft constraints. These relate to an extremely wide range of factors from budgets, schedules, and union agreements (as examples of hard constraints) and precedence, safety norms, and diversity (as examples of soft constraints).

2.2.4. Resource Dependency Theory

Exploring resource dependency theory, McDonnell et al. (2001) have stated that the theory claims that to acquire effective resources for their business processes, organisations have a high degree of dependency on their external environment, so it is a duty of the board to establish a good relationship with stakeholders and maintain this relationship in the long run to facilitate required resource movement into and out of the organisation.

Resource dependency theory suggests that management are also resources, as their practices influence the business success of the firm. Resource dependency theory states that through the expansion of board duties, business opportunities can be increased through enhanced access to resources (Aduda et al. 2013).

According to Gunay (2008), a supportive organisation environment is key to implementing and maintaining CG practices. The focus of resource dependency theory is on several elements in addition to organisational features, including social aspects and public concerns with the business. This theory has three core ideologies, namely social context, organisational strategies for enhancing autonomy, and pursuing the interests of stakeholders and delegation of power in both the internal and external functioning of the organisation (Gunay, 2008). Different business functions in organisations are interrelated and this represents a kind of dependence. The use of resources among business departments is a kind of resource dependence. When the dependence within an organisation becomes unequal, it results in power differentials, while equal dependence between managers and stakeholders results in proper delegation of power (Gunay, 2008).

A disadvantage to using a resource dependency model is that it excludes any hard objectives (e.g. profit, social responsibility, etc.) as the driving force of an organization, which is arguably a bit naïve.

2.3. Pillars of Corporate Governance

All the above theories provide a solid background for the application of CG practices in business organisations, demonstrating that the application of CG practices is a major responsibility of the higher authorities of an organisation. These authorities are responsible for securing the interests of stakeholders, as well as for ensuring the profitability of a business in an equitable way.

The concept of CG is based on four main elements that form the pillars of CG. The Brazilian Institute of Corporate Governance (BICG) published the 'Code of Best Practices of Corporate Governance' in 2001. Under this code, four key pillars are identified as major elements of CG, namely transparency, accountability, fairness and responsibility. Its key features give business managers control over management functions (Balachandran and Chandrasekaran, 2000). The pillars of CG are generic in nature and these principles have universal applicability in business organisations. As per these principles, it is the fiduciary duty of stakeholders to guarantee the fulfilment of different CG practices.

For any kind of transformation in the business process, governance using all the principles of CG is critical. For monitoring, controlling, and managing the functioning of a business, management personnel must provide advice to the organisational staff. The decision-making process of management teams is also governed by these principles, through balancing risks, securing the interests and objectives of the company and maintaining the firm's competitive position. The pillars of CG ensure a more effective business process through maintaining the interests of the community, as well as those of institutional investors (Springer, 2013). To comply with all these principles of CG is a challenge for management teams. The overall goal of CG is attained through a significant contribution of all these pillars to management functioning. All these four attributes of CG work as quality principles and define the duty of care of the management, their honesty and their supportive role in the organisation. Under the umbrella of CG, business organisations should follow all these principles to promote business ethics. Though business organisations aim to generate profits, they are equally responsible for maintaining all standards of governance to the highest level (Jamali, Safieddine, and Rabbath, 2008).

2.3.1. Transparency

This pillar of CG ensures accessibility of information in business operations or dealings. Transparency reflects the accuracy and completeness of disclosed information, in turn building a positive image for stakeholders and the marketplace. Transparency ensures that all information revealed by a company is clearly presented. In relation to this pillar of CG, Mallin (2012) has stated that in business organisations, all shareholders should have full information about any new agenda by attending general meetings. At their request, shareholders should be provided with the required information about the functioning of the organisation (Mallin, 2012).

Balachandran and Chandrasekaran (2000) have stated that transparency is central to CG as it ensures accurate and timely disclosure of corporate information on material matters. In relation to financial accounting and auditing, the process of disclosure must be of high quality. Transparency is mainly linked to access of information by different stakeholders, information that includes business objectives, board structure, foreseeable material risk and information about different employees and stakeholders (Balachandran and Chandrasekaran, 2000).

Concerning transparency, the most important function of the board of directors in an organisation is to work in a harmonious manner to evaluate all business activities and processes at regular intervals. Here, effective CG functioning is mainly based on internal control followed by business management and the supervisory role of the board. Under the pillar of transparency, management effectiveness is required so as to ensure precise, open and efficient flow of information.

2.3.2. Accountability

According to Balachandran and Chandrasekaran (2000), accountability is related to monitoring the effective and equitable performance of managerial bodies. Under the pillar of accountability, managerial bodies also become responsible for effective implementation of accountability systems and processes to ensure that business organisations comply fully with corporate laws. Under the guidelines of this pillar of CG, the management staff should act with good faith and due diligence in the best interest of the firm (Balachandran and Chandrasekaran, 2000).

According to Deswarte *et al.* (2004), the concept of accountability ensures that all individuals and groups in an organisation are responsible for their actions in the organisation. This constitutes a major incentive for businesses to maintain financial statements accurately. Financial managers are responsible for accurately presenting the financial position of a business. Presentation of the wrong information in financial statements can misguide investors. This would constitute an unethical practice on the part of management. For departments such as marketing, it is the responsibility of managers to provide fair and accurate information about products and services to customers.

The concept of accountability cannot be used without transparency. According to Bleischwitz (2007), the idea of accountability leads to an institutional framework that allows for proper interaction among different stakeholder groups. Corporate accountability is a process that induces organisational personnel to be answerable for their actions and their consequences. Corporate accountability can only be successfully achieved via fulfilment of all four CG pillar practices. Organisations need to enhance these practices CG (Bleischwitz, 2007). Rapid improvement of accountability functions of management personnel is needed to improve CG compliance.

2.3.3. Fairness

Fairness is the process in which business activities are conducted without detriment to the stakeholders' interests. In maintaining fairness, business ethics play a key role in CG practices. In business operations, fairness is implied as an ethical code. According to Deswarte, et al (2004) fairness has a central position in CG practices. This is underpinned by two main qualities, namely value systems and ethical practices. Under this pillar, it is the responsibility of management personnel to have inculcated ethical practices into the culture of the business, and these should be percolated to all levels of organisation so as to maintain excellent business practices overall. To maintain fairness practices, management should develop a Code of Conduct (Deswarte, et al, 2004), defining all aspects that are essential to maintain a high level of integrity in business practices. The concept of trusteeship in organisations is also maintained via of fairness in business practices. Under the pillar of fairness, organisational functioning should be fully balanced so as to provide an equal degree of recognition to all parties involved in the business process.

The principle of fairness obliges business management personnel to be unbiased and to respect the independence of all people in the organisation. Management should give due consideration to all stakeholders of the organisation (Idowu and Filho, 2009). Management should ensure equitable protection of the rights of all shareholders. This principle also guides management personnel to treat minorities equitably manner, with any problems redressed fairly. Compliance with fairness aspects concern with ethical behaviour, making it quite close to CG practices. According to Lipman and Lipman (2006), follow-up of fairness practices helps management to protect themselves against criticism. Fairness practices maked management aware that they have some legal liability towards their organisational staff and stakeholders, so securing their interests fairly should be a priority over business profitability. The application of fair practices aligns business best practices in the favour of stakeholders (Lipman and Lipman, 2006).

2.3.4. Responsibility

According to this key pillar of CG, it is the duty of the board of directors to safeguard business assets while ensuring that the goals and objectives of the organisation are met. The main focus of this aspect of CG is to maximise return on investment (Mallin 2012). The functioning of responsibility and accountability go hand in hand. Under the pillar of responsibility, a business organisation is considered a responsible entity, in which management staff should not only secure the interests of stakeholders, but also those of society on an equitable level. This aspect of CG reflects that in contemporary society, ethics are important, and it is important for companies to participate actively in an ethical way (Balachandran and Chandrasekaran, 2000). Under the pillar of responsibility, in case of any kind of negligence or misconduct, it is essential for management to pursue corrective actions to demonstrate the organisation’s responsible behaviour. Another major responsibility of management is to cultivate and structure a corporate culture that supports all staff. The corporate culture should be developed so that the behaviour of all an organisation’s people can be governed in the context of this culture (Deswarte, et al, 2004).

According to Aras and Crowther (2009), corporate social responsibility (CSR) practices play a important role that requires business management staff to minimise the environmental impact of their organisation. Business processes may have negative and harmful effects on the environment, which in turn may affect the health of people in the community. So, it becomes the responsibility of management to minimise negative impacts of the business on the surrounding environment (Aras and Crowther, 2009). Under CSR practices, management are also required to consider the interests of both internal and external stakeholders equitably. CG and CSR functions work hand in hand. Both uphold sustainable business practices, in order to secure the needs of society. CSR practices signify that management staff should undertake collaborative initiatives to deal with any social problems in their immediate business environment (Aras and Crowther, 2009).

According to Bleischwitz (2007), CSR also takes the form of a stakeholder-oriented approach within the CG framework, making firms expand their responsibility practices by encouraging participation in different economic and social activities.

All four of these pillars provide a solid foundation for CG practices. Business organisations that give full consideration to all these elements of CG in their practices are considered to be socially responsible. Though all four pillars provide different guidelines for ethical and socially responsible behaviour, they also suggest that an organisation cannot maintain its sustainable position in the opinion of its stakeholders without complying with these elements of CG. Alignment with these principles allows management to protect their business from unwanted ethical and legal issues, and to improve their corporate image in the eyes of customers and other stakeholders.

2.4. Implication of Corporate Governance in Large-Scale Corporate Business Organizations

CG practices are the integral to corporate strategic decision-making. CG practices in business organisations were initially insider focused, ass earlier large-scale business organisations were mainly governed by family members, with no established code of conduct by which to implement CG practices (Solomon, 2011). In many large-scale businesses in developing countries, there is only a general level of support towards developing a well-defined CG code (Solomon, 2011), as opposed to specific agencies and legislation. CG practices are used to safeguard the rights and interests of shareholders and stakeholders and determine the duties and responsibilities of the board of directors (Solomon, 2011). Most large-scale corporations prefer to implement CG principles to enable them to create a positive image in the eyes of their customers. Later, with the formation of the World Trade Organisation (WTO), international standards of CG also converged with business sector standards, and therefore, these practices were considered important in all economic sectors of WTO-associated countries (Solomon, 2011).

Solomon (2011) has described how CG practices have reformed business organisations in both developed and developing countries with great speed and effectiveness. In large-scale corporations, where there may be different shareholders involved in determining the corporation’s business practices, CG codes have several regulations that business professionals have to follow. It is essential to regularly review these regulations, and to provide management with the best guidance for dealing with any issues they may face in exercising these regulations. Tsamenyi and Uddin (2008) have emphasized the need for the acceleration of CG to avoid the risks of financial frauds and scandal, win the confidence of the public and maintain a good financial position in the market (Tsamenyi and Uddin, 2008).

To gain insight into the current state of CG for large-scale business corporations operating in developing countries, Al-Majed (2000) has stated that an improved level of CG practices has a profound and supportive impact. Saudi Arabia provides an example of the benefits of CG practices, which have facilitated the development of a secured business environment that effectively encourages capital flow in the local market. With the inclusion of CG practices in business organisations, the country has diversified its economic resources (Al-Majed, 2000), significantly improving its economic status. With the application of good CG practices, large-scale business organizations are experiencing high and sustained growth that could secure the economy in the long~~er~~ run. In developing countries, corporate governance practices have even facilitated firms to improve security against legal and ethical issues (Al-Majed, 2000).

Ezzine (2005) has stated that in recent financial crisis, developing countries' CG was in its early phase, typified by a lack of accountability by management for protecting shareholders' rights and very weak legal frameworks. The reforms undertaken in developing countries have improved the CG practices of firms. To improve the financial performance of a business organisation~~s~~, effective CG mechanisms are needed (Ezzine, 2005), including proper management decision-making processes and appropriate sized and make-up of boards of directors.

According to Hussain (2013), CG practices are being continually refreshed by new CG guidelines. This is quite significant in terms of improving the level of CG. In Saudi Arabia and other Gulf countries, CG practices are followed to a reasonable level in order to enhance relationships with stakeholders and shareholders and the efficient use of organisational resources (Hussain, 2013).

According to Koldertsova (2010), developed countries generally show good support of CG agendas and adherence to good CG practice. In government initiatives, voluntary guidelines and best practices are recommended for companies to maintain good international CG standards. The regulatory and legal frameworks also provide guidelines for companies to follow CG practices (Koldertsova, 2010). Tsamenyi and Uddin (2008) suggest that, after facing financial crisis and fraud, businesses are more motivated to follow CG practices, while companies operating at a global level are much more motivated to comply with CG policies and regulations. However, reporting patterns of business organisations regarding their CG information vary depending on sector (Tsamenyi and Uddin, 2008). Banks are more willing to provide CG information through online means. Companies in different service sectors are also willing to provide their CG information. Hwever, CG practices in developing nations are a matter of great concern for management (Tsamenyi and Uddin, 2008).

In conclusion, CG practices are exercised in many companies and countries, and companies are quite willing to follow improved practices, while governments also play a supportive role in promoting good CG practices. In the CG practices of large-scale business firms, the inclusion of different pillars of CG is reflected in research conducted by various authors. Several agencies and international institutions have been working to promote CG practices. Different sectors follow CG practices at different levels. However, there is still great scope to improve CG in large-scale firms.

2.5. Corporate Governance Index to Assess the Adoption of Corporate Governance Practices by Business Corporations

To understand to what extent CG practices are being adopted, objective scales and quantitative means for data collection are sorely needed. One effort in this direction the CG index. According to Dittmara and Smith (2007), the CG index facilitates the measurement of the number of anti-takeover provisions of a firm, and the legal code that governs a firm's incorporation (Dittmara and Smith, 2007). The data of a CG index is measured at fixed intervals. Similarly, Chen et al. (2007) have identified that a CG index includes different attributes of the main CG structure of a firm, namely the size of the board of directors, the duality of the CEO, management holdings, and the block of shareholders' holding. The use of this index is in the form of proxy measures that examine the effective functioning of the mechanisms of CG (Chen, et al, 2007). The CG index and a firm's stock performance have a strong relationship with each other.

According to Baker and Anderson (2010), the CG index is important in evaluating a firm's CG practices. The CG index gives indicators to investors in terms of quality of investment. The firm-level CG index includes the corporate social responsibility practices of firms (Baker and Anderson, 2010). The mechanism of CSR is measured effectively through the application of a CG index. A CG index sets out the actual performance level of firms in the international market. The future performance of firms can also be anticipated on the basis of their scores in the CG index.

In the view of Hirschey et al. (2009), a CG index is a proxy to secure the rights of shareholders.

The study of the CG index by management shows specific ways to maintain good relationships with shareholders and other stakeholders (Hirschey et al., 2009). Low performers on a CG index are weak performers in terms of sales growth and profit margins. A weaker CG index score suggests that firms will have low returns.

In strategic management practices, CG is considered a good indicator of the business performance of a firm. There is considerable leeway in the measurement of performance, and thus the establishment of a good relationship between performance criteria and CG is a difficult process. There is no widely accepted index to reflect overall corporate performance of firms. There are several factors in governance performance of business organisations, and the inclusion of all these facets in the CG index is not easy (OECD, 2004). CG in business organisations is practised in different ways according to industry sector, as well as the nature of business operations (OECD, 2004).

According to Hussainey and Al-Nodel (2008), business organisations must inform their stakeholders online of their CG practices, but online reporting of CG varies from one business sector to another. Their research shows that the disclosure of CG is highest in the banking sector in comparison to other sectors. The use of online communications for the disclosure of CG performance by industry and service sector firms is very low (Hussainey and Al-Nodel, 2008).

According to the report of Saudi Gazette (2011), in Saudi Arabia, the new CG index shows that the highest country weighting amounted to 30.3%, while the UAE ranks second with 14.7%. In Saudi Arabia, the main aim of Standards and Poor's new stock index is to boost CG practices in Arab countries. For instance, Savola, a Saudi food company, and Mobinil, a mobile phone operator company, occupy the top ranks in Standard and Poor's CG index. The Middle East and North Africa region (MENA) has poor CG performance in terms of not maintaining transparency and not disclosing standard CG information to investors and other stakeholders of the business. The CG index of the MENA region reflects that companies have a poor record of CG adoption due to not complying with elements of CG such as transparency and accountability. Several other companies in Saudi Arabia (including the Saudi Basic Industries Corp (SABIC) and Zain

Telecom of Kuwait) do not achieve top ranks in the CG index.

The report of the Global Investment House SAMBA has also reflected the application of a CG index in the entire Middle East region. According to a report carried out by Financial Group, (2007), in the entire Gulf region, CG practices have a come long way in recent years, and these changes in CG practices are driven by public governance practices and an increased degree of awareness among management personnel regarding the higher standards of CG. In the Gulf region, the application of strong CG standards has become essential to maintain the sustainable growth of a business and the overall economic development of firms, as well as of the region (Global Investment House SAMBA Financial Group, 2007). All firms in Saudi Arabia, as well as in the Gulf region as a whole, are more aware of different aspects of their performance, including productivity and efficiency, and acknowledge the need for better engagement with employees, stakeholders and board members. What the peer-reviewed literature has yet to report is a systematic and highly detailed account of CG adoption since the new KSA regulations of 2006 and their impacts on the companies themselves (from both internal and external perspectives).

2.6. Impact of Corporate Governance Indices on Large-Scale Firm Performance

There is a widespread view in the global business environment that best CG practices lead to higher performance of business organisations (Young (2003). Young (2003) also suggested that the CG index measures the disempowering features of CG on the part of shareholders. There is a positive relationship between firm performance and a firm’s scores on the multi-factor CG index (Young, 2003). Due to the high correlation between CG index results and firm performance, business organisations are under pressure to adopt best CG practices, to assure their investors that their organisation is highly responsible in nature and secures the interests of shareholders and other stakeholders (Young, 2003).

Studies on CG indices have confirmed that performance in CG indices has a direct impact on the business performance of firms, as well as on their dividend policies. Firms with a high score in CG indices have higher dividend policies and good potential for their future performance and this relationship was evident even in the recent financial crisis (Chhaochharia and Grinstein, 2007). Firms with low scores on CG indices have declining stock market performance. The valuation and performance level of firms are also affected by the quality of the CG practices (Chhaochharia and Grinstein, 2007).

According to Hamdouni (2009), it has been shown from a theoretical perspective that CG mechanisms have a direct impact on the dividend policies of firms. The CG index construction includes several criteria that focus on the structure, policies, and practices of firms as well as on their CG practices (Hamdouni, 2009).

According to Ghabayen (2012), in large-scale business organisations operating in developing countries, CG practices are weak due to lack of experience in the implementation of CG standards and policies. Poor firm performance on CG indices is reflective of ineffective decision-making on the part of the management, as well as of conflict of interests. While comparing the CG codes of Middle Eastern countries with those of Western countries, CG codes of Middle Eastern countries have been found to be less effective, needing to be significantly adjusted to take into account the business environment of the region, as well as societal norms (Ghabayen, 2012). While evaluating CG index results, it has been found that in developing nations like Saudi Arabia, CG practices are relatively new and less developed. The main issues in CG firm performance are the lack of transparency in the disclosure of information and the fact that power is also concentrated in the management's hands. What, however, remains unknown is the extent of CG uptake, the uniformity of that adoption across all of its recognized tenants, and how that adoption differs by industry and by the level of a country's economic market maturity.

2.7. Impact of Corporate Governance Indices on the Economic Transformation of Developing Countries

CG practices enable firms in developing countries to achieve economic growth in a reasonable manner. CG practices are considered crucial for the analysis of national economies and for the contribution of different enterprises within these economies. CG practices determine resource allocation and the return on investments made by firms. The investment decisions made within an organisation are also shaped by CG practices (Mallin, 2012). CG practices determine the type of investment firms should make as well as the distribution of returns among different shareholders and investors.

According to the United Nations Economic and Social Commission for Asia and the Pacific (2003), the economic growth of nations depends on the performance of business organisations in that region. The activities of FDI also influence the economic development of a country. Firm performance and the degree of FDI both depend on the CG performance of firms.

The Saudi government is highly committed to improving the country's the degree of competitiveness. It has launched the Saudi Responsible Competitiveness Index under which the business practices of organisations are examined in order to confirm their social responsibility. By increasing responsibility scores, the competitiveness of Saudi Arabia has improved in both economic and social terms (Saudi Responsible Competitive Index, 2008).

According Metcalfe and Mimouni (2011), economic transformation and CG practices have a complex relationship. This relationship influences the promotion of competition in the market and the avoidance of monopolies. For example, in Saudi Arabia, there are several barriers in the business environment, which even governmental policies cannot circumvent, and so the maintenance of CG to promote the economic growth is not fully possible. Sound CG practices in Saudi Arabia can help marketers to improve the economic growth of the nation (Metcalfe and Mimouni, 2011). The promotion of corporate reforms in the country can be achieved through significant political reforms. In this way, by having effective CG practices, business organisations in Saudi Arabia can effectively handle disputes related to CG. With CG practices, the business environment of the country becomes responsible for its overall development (Metcalfe and Mimouni, 2011).

According to Jeffreys (2010), economic development requires the execution of significant business practices on the part of management. For instance, in Saudi Arabia, during the period of financial crisis, financial institutions maintained a good CG index score as a result of sustaining specific CG elements such as disclosure of information and transparency (Jeffreys, 2010).

In the context of KSA more information is needed to understand where there is unevenness in GC uptake, what are the specific barriers to further adoption, and what can done either legislatively or from changes in cultural behaviour to accelerate additional CG implementation.

2.8. Conceptual model

A conceptual model depicts an ideology that reflects the exploration of new ideas related to any research work. Guided by a conceptual model, a research study can explore related concepts and ideas that are essential to addressing the research problem. The development of a conceptual model in research studies is mainly carried out in order to conduct the literature review and provide a solid theoretical background to the research process.

The conceptual model developed for conducting this literature review is primarily focused on the concept of CG. As CG practices are primarily concerned with the strategic decision-making process of a business organisation, they have a direct impact on business performance (Aguilera and Cuervo-Cazurra, 2009). CG comprises a code of conduct that provides a set of best practices to guide the board of directors in their behaviour and strategic functions. CG defines the accountability of the management personnel towards all the stakeholders of an organisation. CG practices are followed in almost all countries by all kinds of business organisations in order to avoid different legal and ethical issues. Good CG practices are essential to maintaining performance levels and avoiding various corporate issues. CG practices help business organisations to develop their business practices over time. CG practices focus on providing good value to stakeholders (Aguilera and Cuervo-Cazurra, 2009).

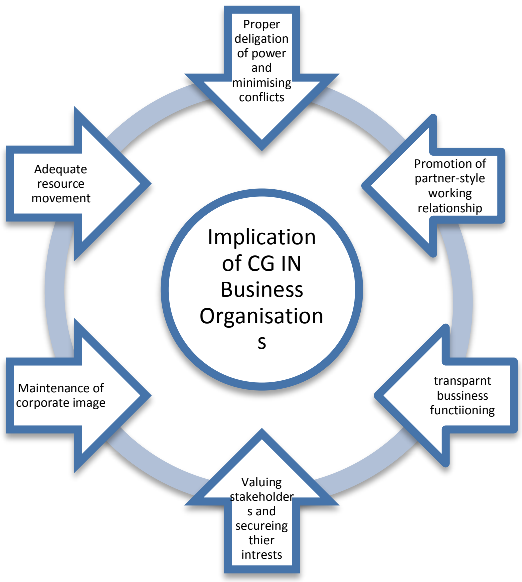
There are several variables in this conceptual model that support the central theme of CG. The main variables that have been used as major ideologies for this literature review are: valuing stakeholders and securing their interests; maintaining the corporate image of a business; the delegation of power and avoidance of conflict issues; adequate resource movement; transparent business functioning; and partner-style working relationships. All these variables are integral elements of CG practices and their application in business organisations (Gillan and Starks, 2000).

Firms with applied CG practices closely abide with ethical practices and thus have several positive outcomes. CG helps business organisations to safeguard stakeholders' interests in order to maintain a good relationship with them. At the next level, business management personnel should keep their business decisions transparent so internal stakeholders can understand them and so that conflict issues can be avoided. Power in organisations is held by more highly authorised and managerial bodies, yet the delegation of power should be effected properly among managerial bodies so that the appropriate decision-making processes can be established.

The conceptual model also reflects the idea that in organisations, the movement of resources must be properly carried out so that all business activities can be accomplished. According to this view, the conceptual model shows that the application of CG is a major prerequisite in organisations in order to improve their performance. Through the application of CG practices, business managers can balance the attainment of profitable goals with securing their business against ethical and legal issues.

Figure 1 provides a schematic of the conceptual model that is being proposed in this study. In it the reader can see six possible contributors towards the adoption of CG practices. These included the proper delegation of power [Gourevitch and Shinn (2005); Melgin (2016)] and the minimization of conflicts (Shukla, 2015); the promotion of a partner-style working relationship (Mire, 2016); transparent business functioning [Aghedo (2016); Bushman and Smith (2003)]; the valuing of stakeholders and the securing of the their interests [Freeman and Reed (1983); Denis (2016)]; the maintenance of a corporate image [Font et al. (2016); Gray and Balmer (1998); and adequate resource movement [Bhaduri and Selarka (2016); Lazonick and O'Sullivan (2000)]. While several of these concepts have been mentioned by various authors they have yet to be fully analysed as a single group of factors. This will be the approach undertaken herein.

Figure 1: Conceptual model of the study



2.9. Compatibility of Organisations with Corporate Governance Concepts and Rules: a Case Study of Saudi Arabia

CG is mainly related to the regulations that the corporate sector is required to follow. According to Groot (2009), under CG concepts and regulations, firms are required to hold management responsibilities towards corporations. The codes of CG are the central focus of firms that want to attain sustainability. The concept of CG is dynamic in nature and requires firms to deal with interests of the stakeholders and shareholders of their business (Groot, 2009). According to

Ramady (2012), in Saudi Arabia, regulatory authorities have been successful in stimulating the growth of corporate culture by ensuring that firms comply with CG codes. In Saudi Arabia, CG regulations are not strict enough, and thus require improvement in order for firms to achieve success in the market.

The successful implementation of CG principles in Saudi Arabia requires the strengthening of its legal structure so as to effectively apply CG rules (Ramady, 2012). The CG practices, which comply with legal regulations guarantee the protection of shareholders' rights by disclosing essential information to the shareholders. In addition to this, the external audit system in Saudi firms should also be more developed and standardised in order to maintain the adequate execution of governance practices. CG principles in Saudi Arabia do not cover all behavioural aspects of CG in an adequate manner (Ramady, 2012).

The World Bank Report (2009) asserts that among all GCC countries, Saudi Arabia was the second country, after Oman, to adopt CG practices in its business organisations. In Saudi Arabia, the board of the Capital Market Authority (CMA) has published guidelines on CG for all companies operating in the the country. As per these guidelines, all listed business organisations in Saudi Arabia are required to disclose their CG information to the market. The board of the CMA is required to possess proper acknowledgement of all the characteristics of companies abide with CG practices (The World Bank Report, 2009). There is a growing expectation that CG practices in Saudi Arabia will improve the economic conditions of the country.

In Saudi Arabia, most firms have inconsistencies in their CG performance. Ezzine (2005) has stated that in Saudi Arabia, the CMA develops standards of CG, and wants to define certain mandatory provisions in its CG regulations in order to develop a successful business environment where the rights of shareholders and stakeholders can be protected (CMA 2006). Saudi organisations seem to comply with mechanisms of CG relatively rarely. The financial performance of Saudi firms is also not particularly strong, which indicates a low degree of CG (Ezzine, 2005). The CG index scores of Saudi Arabian firms also do not positively show their adherence to social responsibilities.

According to Alzharani, Ahmad and Aljaaidi (2011), within the global economy, there is a high degree of openness and integration that has forced the implementation of an institutional framework which aims to improve the performance and value of firms in the Saudi market. The Saudi Arabian business environment is highly profitable for all kinds of business investors, including local, regional and foreign. The issues related to firm performance have become critical in Saudi Arabia: Saudi firms must make an effort in order to improve their market performance. There are several determining factors of firm performance in Saudi Arabia (Alzharani, Che Ahmad and Aljaaidi, 2011). To sustain improved corporate performance, all business organisations are required to comply with CG rules and regulations. The most important prerequisite in Saudi Arabia to improve the firm performance is proper alignment of firm practices with the mechanisms of CG.

According to Eljelly (2009), many companies in Saudi Arabia are strongly influenced by government regulations. The pioneering companies of Saudi Arabia have high exposure to external environment conditions and need good relationships with their stakeholders and shareholders, Saudi Arabian organisations need to become more competitive by complying with CG practices.

To monitor the performance of firms, managers in Saudi business organisations are required to modify their corporate structure and policies so as to maintain an improved performance level (Eljelly, 2009). It has also been suggested that companies need to replace their traditional modes of CG with new CG regulations in order to have better corporate relations and therefore ultimately improve firm performance.

Solomon (2011) has explained that there is not even a Saudi code for CG practices in Saudi Arabia, although business organisations in Saudi Arabia do follow OECD codes of CG. This is a critical CG management issue in Saudi Arabia. Due to CG deficiencies and compliance with CG practices in Saudi Arabia, reforms are needed in the Saudi corporate environment. Under these reforms, specific regulations should be developed for Saudi companies so that they have a clear vision for the maintenance of CG practices (Solomon, 2011). Management of business organisations should have a clear notion of CG practices. To this end, the development of companies' legal structures as well as national codes of CG is essential in Saudi Arabia.

Having a regular means to assess GC adoption in the KSA would enable comparison different moments in time, between various sectors, and between other developing countries. It would also enable a clearer identification of sectors, divisions, or even sub-populations of where adoption is either lagging or is highly uneven.

2.10. Challenges in the Application of Corporate Governance Policies in Saudi Arabia

CG policies and frameworks do not have any standard and universally accepted process. At an international level, CG practices are followed in different ways to deal with any social responsibility issues faced by business organisations.

The effective application of CG practices has several challenges and obstacles in its path (Davies, 2012). CG practices in organisations are required to be self-regulatory, but one of the major problems in CG practices and their application is the lack of corporate accountability at an institutional level. The supportive behaviour of corporate managers is also a critical problem in the application process of CG behaviour.

At an international level, company law also requires the application of CG codes. Rises in agency costs is also a critical problem in the effective implementation of corporate governance practices (Davies, 2012).

According to Davies (2012), in some countries the extension of corporate social responsibility (CSR) is towards the maintenance of public relations. CG processes in business organisations need to be implemented at all levels, or else risk the overall failure of a firm's CG practices (Davies, 2012). To deliver CG benefits to the community, it is essential for business organisations to align their business objectives with aspects of CSR. The successful application of CG practices in the long run requires an organisation to commit to engaging with the interests of people associated with the organisation's business process.

According to Zattoni and Judge (2012), in Saudi Arabia, CG practices take into account various aspects, including new legislation and revisions to CG requirements. There are two distinctive parts to CG requirements in Saudi Arabia, namely the board of directors and CG systems. CG practices in Saudi Arabia are required to adhere to Islamic law (Zattoni and Judge, 2012).

As noted by Solomon (2011), in Saudi Arabia, different elements work as constraining factors in the effective performance of CG. The ownership structure of firms in Saudi Arabia is mainly dominated by families, and by the government to a lesser extent (Solomon, 2011). The discharge of the accountability of the management towards stakeholders is also a major problem in Saudi Arabian business organisations (Solomon, 2011). However, to order to align with global lCG practices, the board of directors in many Saudi companies seek to emulate similar CG policies that are followed at an international level (Zattoni and Judge, 2012).

According to the guidelines of the OECD, in the application of effective CG policies, transparency works as a cornerstone. Formerly, the requirements for information disclosure in Saudi Arabia were very low, with business organisations being required to disclose information through their balance sheets, director's reports and profit and loss accounts (Solomon, 2011). Saudi company law also defines a company's board of directors' duties and responsibilities in a specific way. Corporate secretaries are responsible for CG standards in Saudi Arabia. According to Wilson (2012), in Saudi Arabia, CG practices are concerned with assuring investors that the financial managers of a business organisation see their interests as a primary concern. The major duties defined under these laws are the protection of the wealth of shareholders, the protection of stakeholders' interests, and the appointment of an audit committee. While comparing these specifications of Saudi company law with the actual corporate practices followed in Saudi Arabia, it has been acknowledged that, despite significant improvements in CG practices in the region, the current CG practices of Saudi Arabian organisations are still at odds with the standards defined by company law. In this context, it is essential to introduce new principles of CG in order to encourage firms to increase their use of governance practices (Solomon, 2011).

In the words of Mallin (2012), the CG framework must be sufficiently sound to demonstrate the division of roles and responsibilities in a clear and effective manner. It should also facilitate a good degree of operational independence and accountability for management in order to help them to successfully pursue organisational objectives (Mallin, 2012). For improving CG practices, any directors performing poorly should be replaced with new ones that can ensure compliance with the best governance practices.

According to Al-Hussain (2013), there was no uniform CG standard in Saudi Arabia until 2006. In other words, a well-defined code enforced by the management staff of an organisation was lacking in Saudi Arabia. Due to this problem, CG policies in Saudi Arabia are currently suffering from issues of cultural difficulties. In order to ensure financial market efficiency and regularity, the introduction of new CG policies will be a significant measure (Al-Hussain, 2009).

Saudi-listed companies do not include transparency in their CG practices and have a low level of information disclosure. There are several cultural difficulties in Saudi Arabia and even the misunderstanding of the concept of CG is a critical problem.

It has been suggested by Al-Matari et al. (2012) that the application of CG practices has growing importance in emerging economies. This has been demonstrated by research results that show that poor CG results in feelings of dissatisfaction among stakeholders, as well as in declining performance of firms. In Saudi Arabia, legal systems and monitoring policies provide a strong base for the application of CG practices (Al-Matari et al., 2012). To deal with the problems of CG, a reform has been introduced in Saudi Arabia for the enhancement of CG practices in terms of increased firm performance and market efficiency. Even after the reform, however, the practice of CG is still an emergent concept in Saudi Arabia and due to the existence of this issue, the Capital Market Authority of Saudi Arabia has been developing new educational programs to inform organisations about the positive effects of applying CG practices (Al-Matari et al., 2012).

For this purpose, the structuring of the board of directors requires the enhancement of CG performance within an organisation.

Investment and stock market development are the two major prerequisites for the macroeconomic growth of a region, and these can be encouraged through CG practices. For attracting foreign investors, maintaining a good level of CG is crucial. In the implementation of CG laws and regulations, the legal system of a country plays an important role as it regulates the development of particular regulations and practices. In Saudi Arabia, Islamic law is followed and thus, during the adoption of CG standards, adherence with Islamic law becomes an essential practice (Al-Matari et al., 2012).

In the history of Saudi Arabia, the mechanisms of CG have not been widely known, and thus have not been acknowledged as a matter of great significance. During the period of crisis in 2006, there were several problems faced by Saudi business organisations such as the problem of disclosure of information, management accountability, and transparency (Al-Matari et al., 2012). Due to the critical consequences of these problems, the Saudi government, as well as academicians, gave a high degree of priority to CG. Recently, application of CG has become a subject of pivotal importance in the business environment of Saudi Arabia. As a result, the composition of board structure was altered to ensure the protection of the stakeholders' rights.

The notion of CG in Saudi Arabia is governed by a legal framework that includes three divisions, namely company law, the Saudi Capital Market Authority and the Saudi Organisation for Certified Public Accountants. In Saudi Arabia, companies are required to disclose their business performance-related information in their annual reports (Al-Matari et al. 2012).

Alnatheer and Nelson (2009) have stated that in Saudi Arabia, national culture focuses highly on CG, but cultural factors present obstacles to the effective utilisation of CG practices. Top management in Saudi Arabian organisations are at risks of threats relating to information security. In complying with information security-related issues, the development of a standardised organisational response is also a major issue in Saudi Arabian organisations

(Alnatheer and Nelson, 2009). There are also several other distinct issues that affect CG practices in Saudi Arabia, including cultural factors. To deal with these issues, the development of a supportive and effective work culture is required.

According to Al-Hussain (2009) in Saudi Arabia, banking organisations have an intense need for applying new and more efficient structures of CG under which new CG principles can be followed. In these organisations, it is essential to revise CG principles to deal with issues related to stakeholders' values, financial problems and the improvement of CG structure. With effective reforms in CG practices, firm valuation will be higher and these firms will be better governed. With the inclusion of an effective and efficient CG structure, firm performance will improve.

It is evident in the views of Davies (2011) that CG practices in Saudi Arabia need a significant improvement. Business regulators in Saudi Arabia are seeking to upgrade their CG frameworks and as a result, business managers have developed an increased degree of awareness towards the beneficial aspects of CG practices. GCC companies have taken part in international activities on an increased level in order to improve CG practices.

In GCC countries, the major critical issue in CG practices is not having independent directors to govern business functions (Davies, 2011). Boards in GCC countries aim to focus on the concerns of shareholders more than on the overall interests of the organisation. The Saudi Arabian market is considered to be the worst in terms of CG practices with respect to the independency of the board of directors. In GCC countries certain regulations have been defined in order to improve CG practices, which are effective in encouraging the standardisation of CG practices in Saudi Arabia. Initially, in Saudi Arabia, both governmental and political authorities need to increase their commitment to the improvement of CG practices. Additionally, the regulators in GCC countries should work together to make the strengths of the equity market of the region more rigid. Across the entire region, a harmonisation of the financial listing and reporting system is needed to increase financial transparency (Davies, 2011).

According to Jeffreys (2010), the Riyadh Chamber of Commerce and Industry (RCCI) has promoted CG standards in order to reap its benefits, and new best practices have been introduced to improve the level of CG in both public and private sectors in Saudi Arabia. With such initiatives, the RCCI intends to strengthen the structure of the private sector in Saudi Arabia to ensure the secure functioning of organisations. These sorts of initiative may help the national economy to develop, and challenges faced by Saudi business organisations while operating in the global economy may be overcome (Jeffreys, 2010). The use of CG practices in Saudi Arabia has also been evident during the period of financial crisis, when firms were required to comply with the pillars of CG, such as transparency, under which they are required to disclose financial information in order to ensure fair transactions. The RCCI has organised regular meetings and seminars with local companies to ensure that there are several new ways of helping companies comply with new management practices to govern the corporate responsibilities of the business (Jeffreys, 2010).

According to Safieddine (2009), when CG structure moves away from conventional forms, the settings of CG become more complex. In this way, in Saudi financial institutions, there are several agency issues which require specific examination. In Saudi financial institutions that have issues of segregation of control and ownership, the nature of operations is quite different, in accordance with the ideas of agency theory (Safieddine, 2009). Financial institutions in Saudi Arabia are highly accountable to shareholders in terms of the maximisation of their return on investment, but they also need to comply with Sharia principles. Most principles in Saudi Arabia related to CG have been found to be applied in line with KSA regulations. To maintain a legal approach to CG, companies in Saudi Arabia are required to employ external consultancy services to examine the company’s implementation of CG practices. All of the above are major critical problems of CG that are being faced in Saudi Arabia and by companies dealing with Saudi Arabia.

2.11. Summary

Strategic management practices play a significant role in organisational functioning. To have a good strategic position in the business world, management of business organisations must adhere to CG practices. The effective functioning of an organisation is fundamentally achieved through good CG practices. CG codes determine the promotion of business performance. There are several principles of CG that are commonly followed in business organisations in different countries and at different levels. To secure the CG performance of firms, certain codes have been defined in the strategic management field at an international level. These codes define the practices of CG to help firms secure the interests of stakeholders at the best possible level. In business organisations, different departments are encouraged to adopt CG practices.

Several theories have been proposed by different authors in relation to CG practices, which provide significant guidelines by which management personnel can secure CG practices. These theoretical notions provide a solid theoretical framework to safeguard the CG interests of business organisations in real world practices. The main theories associated with CG practices are agency theory, stewardship theory, stakeholder theory and resource dependency theory. All these theories support CG practices from different perspectives.

Despite this, the prime focus of CG theories is towards securing the corporate image of firms and governing the practices of management staff to protect the sustainable business position of firms. There are four main pillars within the CG framework: transparency, accountability, responsibility and fairness. These four pillars define different key concerns of CG to which management people should give consideration when following CG practices. The successful attainment of these elements of CG allows management personnel to maintain a responsible authority as the governing bodies of an organisation. The effective pursuit of these practices helps firms to assure that they are fully accountable for the social responsibilities with which a business organisation needs to comply in their business tenure. All these elements have a significant place in the CG framework.

CG practices are followed in all countries of the world by different business organisations. In different countries, laws related to CG also differ in terms of their application and regulations. In some countries, CG practices are very strict, while in others, these practices are not given much consideration. In developing nations like Saudi Arabia, the status of CG practices is not particularly supportive and effective due to several critical problems. The current status of CG practices in Saudi Arabia can be seen through their performance scores on CG indices, although these do not represent the CG practices of Saudi Arabian firms in all aspects. The CG index of Saudi firms demonstrates the level of CG adoption by these firms, as well as the impact of CG practices on the actual business performance of firms and the economic transformation of the region.

From the evaluation of the CG index of Saudi Arabian firms, it can be seen that some of these companies do not fully comply with CG practices due to the presence of certain critical issues. One of these issues is the high influence of Islamic law on the corporate practices of firms in Saudi Arabia. The Islamic regulations of CG are quite rigid in nature and therefore they govern CG practices to a great level. In addition to this, various cultural factors also affect the adoption of CG practices in Saudi Arabia.

However, despite all these issues regarding the adoption of corporate governance, the situation in Saudi Arabia is not critical. The economic development of Saudi Arabia is also affected by the CG performance of the companies operating in the region. In order to maintain successful and effective CG practices, Saudi firms should comply with CG-related laws defined under Saudi company law. Saudi firms also need to responsibly maintain their CG practices. In Saudi Arabia, the government and legal bodies should undertake certain initiatives in order to develop new guidelines for CG. These kinds of initiatives will help the management staff of business organisations to improve their firm’s performance. The evaluation of the degree of compliance of Saudi firms with CG practices shows that there is scope for improvement in the application of CG practices in the country. With such improvements, the corporate and business performance of Saudi firms will certainly improve.

2.11.1. Summary of the Literature Review

Table 1: Summary of Literature Review

Author(s) and Date	Source	Main Inferences	Factors Affecting CG Application
Aduda Chogii and Magutu (2013)	*European Scientific Journal*	According to the theory of stewardship, the managerial bodies in organisations are responsible for rendering an organisation's decision-making process effective and supportive.	Stewardship of managers, decision-making process, autonomy in managerial behaviour.
Aguilera and Cuervo-Cazurra (2009)	*CG: An International Review*	In the strategic decision-making process, CG practices must take strongly into account different legal and ethical issues.	Code of conduct, management accountability, stakeholder value.
Al-Hussain (2009)	ProQuest.	In Saudi Arabia, there are several issues due to lack of a well-defined CG code, including cultural difficulties and non-adherence to CG laws and regulations.	Lack of uniform CG standards, inefficiency of financial market, cultural difficulties, opaqueness in information disclosure.
Al-Majed (2000)	SABIC Chair for IFMS	The application of CG practices in Saudi Arabia facilitates development of a secure business environment, keeping capital flow effective and enabling the diversification of economic resources.	Capital flow in the market, economic status of the country, and legal and ethical guidelines.
Al-Matari Al-Swidi and Fadzil (2012)	*British Journal of Arts and Social Sciences*	Poor CG practices result in reduced firm performance. Other than this, monitoring policies and the legal system of the country provide a strong base for CG practices.	Stock market developments, the legal system of the country, the structure of the corporate board in organisations.
Alnatheer and Nelson (2009)	Proceedings of 7th Australian Information Security Management Conference	In Saudi Arabia, cultural factors obstruct CG practices in Saudi Arabia. Organisational situations in Saudi Arabia in terms of supportive work culture also affect CG practices.	Cultural factors of the nation, information security, organisational situations.
Aras and Crowther (2009)	Gower Publishing, Ltd	CSR practices play a prominent role in the protection of the environment. In CSR practices, the interests of both internal and external stakeholders are required to be managed fairly.	External environment conditions, societal problems and contingent situations.
Baker and Anderson (2010)	John Wiley & Sons	CG indices play an important role in determining firm performance.	Quality of investment, corporate social responsibility practices, firms' actual performance.
Balachandran and Chandrasekaran (2000)	PHI Learning Pvt. Ltd.	To control overall management functions, business managers require a code of conduct that is composed of several elements,	Code of best practices for CG, fiduciary duty of corporate managers.

		namely transparency, accountability, fairness, and responsibility.	
Bleischwitz (2007)	Edward Elgar Publishing.	In CG, accountability is important in governing employees' actions. All elements of CG have relevance to accountability.	Corporate accountability of managers and managerial actions.
Chen Kao Tsao and Wu (2007)	*CG: An International Review*	CG indices are composed of different attributes, including firm structure, board size, management holdings, etc. The effectiveness of CG mechanisms is evaluated through CG indices.	Structure of the board in organisations, duties of management people, relationships with stakeholders.
Chhaochharia and Grinstein (2007)	*The Journal of Finance*	There is a direct impact of CG indices on performance of firms. Good scores reflect good growth prospects for firms in the long run and even symbolise the good market value of firms.	Score of CG indices, firms' value in the market, stock market performance of firms.
Davies (2011)	Gower Publishing, Ltd.	In implementation of CG practices, there are several barriers and challenges such as accountability requirements in CG, managerial behaviour, alignment with company laws related to CG, public relationship maintenance, organisational commitment, etc.	Self-regulation of organisations, institutional-level accountability, codes of company law, high agency costs, etc.
Davies (2012)	Gower Publishing, Ltd.	In Saudi Arabia, there is a significant need for improvement of CG practices. For governance of business functions, there are no independent directors. There is great need for increasing political and governmental authorities. The harmonisation of the financial reporting system is also required to maintain transparency.	Need for upgrading CG frameworks, poor CG practices, lack of transparency in the financial reporting system.
Deswarte Cuppens Jajodia and Wang (2004)	Springer	Accountability in CG frameworks determines assurance of corrective actions on the part of management. All departments, including finance and marketing, are required to maintain their practices accurately in terms of providing accurate information.	Responsibility of organisational staff for their actions, information disclosure and unethical management practices.
Dittmara and Smith (2007)	Journal of Financial Economics	With CG indices, legal performance of a firm can be measured, and anti-takeover provisions of a firm are also measured.	Firm performance in alignment with legal codes and anti-takeover activities.
Doh and Stumpf (2005)	Edward Elgar Publishing	The implications of agency theory supports business managers who deal with CG-related issues. The theory states that agency relationships take place as contracts and delegation of authority during the decision-making process is required.	Authority delegation, stakeholder relationships, management decision-making and the role of agents.
Eljelly (2009)	*International Business & Economics Research Journal*	Government regulations in Saudi Arabia influence functioning of all kinds of business organisations. Firm performance in Saudi Arabia is affected by external environmental conditions, competitive market forces and the corporate structure of firms.	Governmental regulations, external environmental factors, corporate structure of firms.

Ezzine (2005)	SABIC Chair for IFMS	In Saudi Arabia, CG practices are weak due to several issues including poor accountability, protection of stakeholders' rights, ineffective legal framework and poor decision-making processes.	Ineffective decision-making processes, lack of accountability, weak legal framework, etc.
Fernando (2010)	Pearson Education	The prime focus of CG practices is on ethics. With proper practices of CG, malpractices can be eliminated and firms' welfare can be secured.	Corrupt business practices, environmental degradation, ethical issues, etc.
Ghabayen (2012)	Inter*national Journal of Accounting and Financial Reporting*	In Saudi Arabia, business managers do not have good experience of CG implementation and therefore it is affected by factors such as poor firm performance, ineffective decision-making and less developed CG practices.	Poor firm performance, ineffective managerial decision-making, ineffective codes of CG and lack of transparency in business information communication.
Gillan and Starks (2000)	*Journal of Financial Economics*	The practices of CG are affected by several elements in business organisations such as valuing stakeholders, the corporate image of the firm, power delegation, conflict issues, transparency in business functioning, etc.	Securing interests of stakeholders, involvement of conflict issues in managerial roles, lack of transparency in business functioning, adequate resource movement etc.
Global Investment House SAMBA Financial Group (2007)	Samba Financial Group	CG practices in Gulf countries are governed by public governance practices, standards of CG, and firm-performance. All these factors are important for sustainable business growth and the overall economic development of the nation.	Governance practices, management awareness, engagement with organisational staff and the efficiency of firms.
Grant K. (2008)	*Academic Conferences Limited*	Agency theory provides a strong base for preventing conflicting issues in organisations via protection of stakeholders' rights.	Conflicting issues in organisations, protection of rights of stakeholders, and monitoring costs.
Groot (2009)	Kluwer Law International	The regulations of CG require a high degree of management responsibility for the corporate performance of business. CG codes provide a firm base for the sustainability of firms.	Shareholders' and stakeholders' interests, holding of corporate responsibilities by management staff, development of CG codes.
Gunay (2008)	iUniverse	Resource dependency theory states that for the maintenance of CG practices, the organisation environment should be supportive. There are three main ideologies of this theory, namely organisational strategies, social context and power delegation.	Organisational environment, social context, internal and external business functions.
Hamdouni (2009)	SABIC Chair for IFMS.	CG policies have a significant impact on firms' dividend policies. CG improvements requires big changes at an organisational level, such as change in structure and board composition.	Organisational structure of firms, organisational policies, composition of the board of directors, etc.

Heracleous (2001)	*CG*	In the strategic decision-making processes, CG practices play a significant role. The CG practices in firms are directed through the decision-making process and other corporate activities.	Strategic decision-making process of firms and the monitoring policies of different business activities.
Hirschey and Makhija (2009)	Emerald Group Publishing	The CG index is mainly constructed as a substitute for the security of shareholders' rights. With proper management of CG practices, the management staff in organisations become able to maintain a good relationship with stakeholders and shareholders.	Low scores in CG indices, underperformed operational functions, and weak sales and profitability of firms.
Htay et al (2005)	*Asian Journal of Finance & Accounting*	For the establishment of a good CG system, agency theory provides strong guidelines. With the help of such guidelines, managers can maintain high transparency in their corporate practices. Effective CG mechanisms help business organisations to build and safeguard their corporate image in the long run.	CG systems, transparency in business functioning, economic crises, etc.
Hussain (2013)	eBookIt.com	In Saudi Arabia, CG practices face several issues. To deal with them, modification in governance guidelines are needed.	Guidelines of CG, organisational resources, and CG levels.
Hussainey and Al-Nodel (2008)	*Accounting in Emerging Economics*	In Saudi Arabia, online means are also used by firms to communicate governance practices to stakeholders. The participation of companies in CG practices is voluntary.	Variation in business sectors, low CG performance, voluntary participation in CG practices.
Idowu and Filho (2009)	Springer	In business organisations, management people are required to follow fair practices. Under fair practices, independence and unbiased behaviour are the key elements.	Principles of impartiality, respecting and securing the interests of stakeholders, equitable treatment of all stakeholders.
Jamali et al. (2008)	CG	All the elements of CG contribute to a significant level in the form of quality principles. Business organisations are required to maintain profitability and governance standards in a balanced manner.	Different elements of CG framework, management's duty of care, follow-up of business ethics and balanced treatment of all business concerns.
Jeffreys (2010)	Oxford Business Group	In the public and private sectors in Saudi Arabia, in order to benefit from CG practices, follow-up of CG practices is essential.	Promotion of CG standards, global economy challenges, financial crisis, fair business transactions and introduction of new CG mechanisms.
Kakabadse Rozuel And Lee-Davies (2005)	*International Journal of Business Governance and Ethics*	Stakeholder theory states that good stakeholder relationships are the key to secure business functioning. Firms need to comply with all requisites, namely moral, social, technological and legal.	Good stakeholder relationships, management decision-making processes, availability of strategic options, etc.
Koldertsova (2010)	Financial Market	In the Gulf, all countries including Saudi Arabia show good	CG agencies, standards and

	Trends	compliance with CG agendas. To maintain good CG standards, firms are required to follow up on legal and regulatory guidelines.	guidelines of CG, and the legal and regulatory framework of firms.
Lipman and Lipman (2006)	John Wiley & Sons	To avoid criticism related to CG, management staff need to follow fair practices. Legal liabilities of managers also help them to secure their governance performance to a good level.	Management practice, legal liabilities of firms, and meaningful decision-making processes.
Mallin (2012)	Oxford University Press	Within the CG framework, equal division of roles must be achieved. For pursuing organisational objectives, it is essential on the part of the management to have a good degree of operational independence and accountability.	CG framework, organisational objectives and ethical and professional standards.
McDonnell Macknight and Donnelly (2001)	Diarmuid McDonnell	CG practices based on agency theory are focused on the board's role towards organisational capabilities. Managerial bodies are required to follow mechanisms of decision-making.	Board's duties and responsibilities, effective decision-making mechanisms, policies to safeguard stakeholders' interests.
Metcalfe and Mimouni (2011)	Edward Elgar Publishing	There is a complex relationship between CG status and the economic transformation of a nation. Corporate reforms and their promotion make Saudi organisations deal with disputes and other problems in an effective manner.	Monopoly of the market, governmental policies, economic growth of the nation, political reforms in the country.
Mruthyunjaya (2013)	PHI Learning Pvt. Ltd	In organisational practices, CG works as an integral element among strategic functions. CG practices promote entrepreneurial leadership and maintain sustainable business positions by preventing ethical and legal issues.	Managerial decision-making processes, ethical and legal issues, level of entrepreneurial leadership.
Organisation for Economic Co-Operation and Development (2004)	OECD Publishing	The performance of business through CG is a good strategic process. The CG performance of firms has several features as per CG indices. CG indices determine a firm's corporate behaviour and its economic performance.	Performance in CG indices, nature of the business organisation and related industry sectors.
Ramady (2012)	Springer	CG codes are determined by regulatory authorities and compliance with them stimulates the growth of the country. The legal structure of firms should be strong in order to effectively execute CG practices. In Saudi Arabia, CG principles are not strong enough to govern organisation behaviour problems.	Role of regulatory authorities, CG codes, legal structure of firms, external audit systems.
Safieddine (2009)	*An International Review*	The process of transformation of CG structure from conventional to new is complicated. Control- and ownership-related issues in organisations affect performance of firms. In Saudi Arabia, CG practices must comply with Sharia principles. A control	Agency issues, Sharia principles and objectives, and need for control mechanisms.

		mechanism is needed in the corporate sector to mitigate agency-related problems and maintenance of good relationships with shareholders and stakeholders.	
Saudi Arabia (2012)	Index of Economic Freedom	The economic freedom index reflects the degree of economic transformation in Saudi Arabia. Institutional transformation also governs economic growth in Saudi Arabia. The regulatory efficiency of a country is also affected by open market policies.	Structural and institutional transformation, open market policies and regulatory aspects.
Saudi Gazette (2011)	Saudi Gazette	In the new CG index, the performance of Saudi Arabia is the highest that is mainly aimed to boost the practices of CG in the entire Arab region. Non-compliance with elements of CG, business organisations leads to a poor record in CG index.	Changes in CG indices, problems in CG standards, CG information disclosure.
Saudi Responsible Competitive Index (2008)	Saudi Responsible Competitive Index	In Saudi Arabia, several reforms have been undertaken to improve corporate performance. The main ones are greater government commitment to improve business performance, launching a new index, socially responsible business practices and high investment in corporate practices. Several sustainable practices are in use that make use of scarce resources more effective and improve stakeholder relationships. The country has thereby significantly improved sustainability.	Changes in performance index, social responsibility of firms, sustainable business practices, accountability scores, improved economic conditions.
Solomon (2011)	John Wiley & Sons	The effectiveness of CG in Saudi Arabia is affected by several factors such as ownership structure and management accountability towards stakeholders.	Firms' ownership structure, low management accountability for securing interests of shareholders and stakeholders.
Springer (2013)	Springer	All CG principles have universal global applicability level. In the decision-making process and other managerial roles, it is essential to have equal consideration of all principles. To maintain the competitive position of firms, all risk factors must be balanced.	Compliance with CG pillars, management decision-making processes, business process transformation, business ethics.
World Bank (2009)	The World Bank	In GCC, Saudi Arabia is among the major countries to adopt CG practices. All listed companies must disclose information to the market. Saudi Arabia is focused on economic improvement and so good CG practice is essential.	Guidelines of Capital Market Authority, proper disclosure of CG information, proper acknowledgement of board requirements.
Tricker and Tricker (2012)	Oxford University Press	The CG process and agency theory both have a direct relationship with each other. The theory states that CG has a positive impact on	Different attributes of CG, institutional investment practices.

		the overall performance of a business. Business investment practices also determine compliance with CG practices.	
Tsamenyi and Uddin (2008)	Emerald Group Publishing	In Saudi Arabia, CG performance is still not up to the mark and thus, it is required to accelerate these practices. The performance of CG in Saudi Arabia is affected by different critical factors. Best practice CG should be followed.	Use of information technology aspects in effective manner, financial position of firms, corporate image of firms.
United Nations: Economic and Social Commission for Asia and the Pacific (2003)	United Nations Publications	The business performance of firms and economic growth of the region are two integrated phenomena. In addition to this, the rate of FDI also determines CG performance.	Firm performance level, FDI activities.
Wilson (2012)	Oxford University Press	CG practices in Saudi Arabia have an impact on financial managers' decisions and investors' assurance. There is also a need for a well-formulated governance framework and rapid disclosure of business information.	Decisions of financial managers, investors' activities, Sharia law principles, regulatory bodies.
Young (2003)	Ivey Business Journal	CG practices of firms' affect their performance level. CG index scores also reflect CG features in the country. Good governance scores show improved business performance of firms. To adopt good CG practices, firms face intense pressure to secure the interests of stakeholders and shareholders.	Financial performance of firms, performance on CG index.
Zattoni and Judge (2012)	Cambridge University Press	CG practices in Saudi Arabia need to comply with legislation. CG requirements are in two sections, namely the CG system and the board of directors. In Saudi Arabia, the follow-up of international CG practices is needed to ensure a good performance level.	CG legislation, Islamic law principles, International policies for CG practices.

Chapter 3: Research Methodology

3.1. Introduction

This chapter introduces the research objectives and research philosophy and approach. This includes information about triangulation, sampling, data collection and analysis techniques. Specifics are included about the interview protocols, questions types, and evaluation. Finally research and ethical issues and concepts of reliability and validity are provided.

3.2. Hypothesis

The methodology described in this thesis is based upon the following four hypotheses:

1. Corporate Governance adoption levels in the Kingdom of Saudi Arabia are uneven between entities
2. Corporate Governance adoption levels differ between pillars
3. Hypotheses 1 and 2 result in a relatively uneven CG adoption landscape in the KSA from which highly specific recommendations related to both policies and cultural and/or organizational changes are hard to generate.
4. Despite uneven and incomplete CG adoption levels, KSA organisations are better than average for the region.

These hypotheses are based largely on the findings of the World Bank regarding the inefficiency of implementation of international best practice, bearing in mind the Mayer (1998, p. 237) states that CG 'is concerned with ways of bringing the interests of investors and manager into line and ensuring that firms are run for the benefit of investors'; given the lack of investor pressure within the KSA, it is perhaps unsurprising that the World Bank might suggest that firms have been slow to adopt best practices. This fundamental break in the model when compared to Western economies is combined with an extremely liquid local economy, and this is unusual in the developing world. It is therefore hypothesised that the NGO and international organisation lenders that demand different standards in many developing nations are also relatively unimportant, and that the removal of these two important drivers for change is likely to have lead to an incomplete and unenthusiastic adaptation of international best practices even after the World Bank report.

3.3. Background

Based on the four hypotheses stated above, a mixed methodology of quantitative and qualitative research approaches were adopted as not all of the subtopics and concerns can be fully addressed in a quantitative manner especially where limitations and obstacles are being identified. Had these been previously established in a rigorous manner then a strictly quantitative approach might have been possible, but as these have yet to be unearthed, the qualitative components of the research are essential.

In developing a methodology, the researcher must take into account the significance of CG with respect to developing countries. Since many developing countries have short and/or weak histories of CG, much of the established literature must be reconsidered. In particular, what is likely to be poorly defined are the factors that impact CG uptake during a country's transition from developing state to market-based economy. This chapter adopts the data theory elements of the research process model proposed by Phillips & Pugh (2005). It also attempts to constrain the impacts of error, research bias and limitations, while maintaining the research ethics protocol.

3.4. Research Objectives

As stated in Chapter 1, the main questions are as follows:

1. to what extent do KSA companies comply with KSA corporate governance regulations
2. where there is noncompliance, is there an obvious reason for that
3. what else can be done to encourage compliance
4. what deficits, if any, are there in the 2006 legislation with respect to international best

practice

To achieve the stated research aim, the following tasks will be undertaken in the context of modern day KSA entities:

7. Conduct a comprehensive review of the available literature on CG in order to identify the critical base of CG related to policies and practices in developing countries.
8. Produce a conceptual method based on four pillars of transparency; stakeholder value;; responsibility; and fairness to explore quantitatively the extent to which CG practices are adopted within a developing country.
9. Identify how factors of CG impact corporations during the transitional phase
10. Determine through qualitative exploration impediments (cultural and procedural) to further CG reform.
11. Conduct empirical research on CG to validate the conceptual method of CG related to adoption levels
12. Where possible link economic transformation to adoption of international CG best practices

A conceptual model has been proposed in the previous chapter, consisting of the major factors that can affect CG. The main variables used as major ideologies for this literature review were: valuing stakeholders and securing their interests; maintaining the corporate image of the business; delegation of power and avoidance of conflict issues; adequate resource movement; transparent business functioning; and partner-style working relationships. The principal objective of the research is to analyse these factors and their influence on dependent variables, implying that CG practices abide closely with ethical practices, and consequently have various positive outcomes. The proposed primary framework has been conceptualised in terms of two categories of variables: quantitative and qualitative. The fundamental theme of this research and its related objectives enable the researcher to select a suitable stance for carrying out the research and apply the appropriate methods to it.

3.5. Research Philosophy and Approach

This section examines the rationale behind employing ‘interpretivism’ and ‘positivism’ research philosophies and a mixed research approach by combining ‘inductive’ study, applying a qualitative approach to analysis of interviews and secondary data, and ‘deductive’ study, using quantitative data analysis applied to information is collected through questionnaires (Saunders *et al.* 2009). An extensive review of the literature in relation to CG has shown that various factors might affect the application of CG in corporations but that little research on CG in Saudi Arabia has been carried by applying quantitative and qualitative perspectives in specific CG contexts.

The qualitative analysis and the development of conceptual model imply that the resulting interpretations and meanings could be applied using an interpretivist philosophy along with the application of an inductive research approach (Neuman, 2014). The appropriateness of different research philosophies depends partly on how they are applied to developments, refinements, extensions, and testing of theories (Easterby-Smith *et al.* 2012). The views of, and acceptable standards for, every research study make the methodologies and research processes distinct. Consequently, the choice of research philosophy influences research design and processes, as well as how the researches are carried out, leading to major questions, such as whether theories or data comes first (Easterby-Smith *et al.* 2012). Research philosophies generally rely on two features: to what extent the world could perceive the notions involved in the research, and to what extent a researcher could analyse, comprehend, and infer meaning from the data for the development of the structure of knowledge (Saunders *et al.* 2009). Saunders *et al.* (2009) also extend these features into three distinctive philosophical perspectives, namely positivism, interpretivism, and realism. This research uses a combination of interpretivism and positivism philosophies. The application of interpretivism could be justified through an analysis of literature and the conceptual model development, and the application of positivism could be justified by testing the proposed framework and the generation of hypotheses based on causal associations within the framework.

Neuman (2014) has defined Interpretivism as 'the systematic analysis of socially meaningful action through the direct detailed observation of people in natural settings in order to arrive at understandings and interpretations of how people create and maintain their social worlds' (p.68). Interpretivism, according to Saunders *et al.* (2009), can be seen as an alternative to the orthodoxy of positivism, where the details of a circumstance are applied so as to understand the reality of a situation. Interpretative theorists have tried to find meaningful explanations of a fact or an event within the research contexts particular to the issue, allowing researchers to interpret the information and analyse the topics.

Bryman & Bell (2007) noted that using a single research philosophy might generate overdependence on a single type of data or create unidirectional inferences. Therefore, this research uses both philosophies so as to avoid data biases. To reduce overdependence on a single philosophy, this research uses mixed methodologies. The notion of CG first requires an explanation for the development of a framework, and then requires analysis and testing to refine the concept of CG. The current status and qualitative features of CG management issues can best be understood through discussion with CG managers and decision-makers. As a result, qualitative analysis of secondary data and interviews has been preferred to quantitative analysis in the form of statistical tests for the questionnaire data.

According to Saunders *et al.* (2009), positivism facilitates study of social research by applying scientific methods to where researchers prefer to work with observable reality and attempt to generate laws such as generalisations once their findings are analysed. Positivism, according to Saunders *et al.* (2009), contrary to interpretivism, generally displays causalities which are provable or testable by deduction of hypotheses. Positivism, according to Easterby-Smith *et al.* (2012), demands that theoretical notions be operationalised before any measurement processes, and any outcome through positivism can be generalised via statistical analysis, which requires analysis of large samples. Being a highly structured methodology, positivism generally generates objective facts and tries to establish truth in a way similar to experimental research of facts, observations, and numbers, while interpretivism, according to Williams & May (1996), generates values and meanings without offering direct associations between subjects and objects. So, positivism or realism considers the reality and the presence of what is already recognized for use in the analysis with any entities, events, and structures in the research field. As a result, according to Easterby-Smith *et al.* (2012), positivism is recognised as independent of research values and beliefs that might bias the quality of feedback from the respondents.

The research philosophies of positivism and interpretivism are closely aligned to the deductive and inductive research approaches respectively. The clearer the adoption of a research process, the more clarity they bring to developing or testing the notion (Neuman, 2014). Neuman (2014) defined the inductive approach as the process of inferring from data analysis for formulating or developing theories. On the other hand, the deductive approach takes a theory, proposed concept or developed concept so as to test the proposition for impacts and causal relationships, or to define measurements via use of statistical analysis such as regressions or correlations applied to structured data (e.g. this research's questionnaire data) (Neuman, 2014). Both these approaches have been selected for this research. The literature review and its qualitative analysis leads to the development and proposition of a conceptual model, which could be considered as the inductive approach for this research. Similarly, the deductive approach can be applied by testing the proposed framework through qualitative analysis of secondary data, the data collected from the interviews and the statistical analysis of primary questionnaire data on CG systems in Saudi Arabia.

In addition to the development and testing of theoretical propositions, these approaches enable the researcher to find more perspectives in relation to investment strategies and management concepts, as part of the development of the proposition via methodological triangulations and rich exploration of information (Bryman & Bell, 2011; Easterby-Smith *et al.* 2012). The formulation of the conceptual proposition based on the literature review and industry data regarding CG practices in Saudi Arabia is the outcome of the application of an inductive approach in this research, as demonstrated below.

A deductive approach allows the researcher to test the proposed conceptual model based on an analysis of the primary data collected through interviews and questionnaires and on an analysis of the secondary data regarding CG practices in Saudi Arabia, as also demonstrated below.

Inductive Approach

Deductive approach

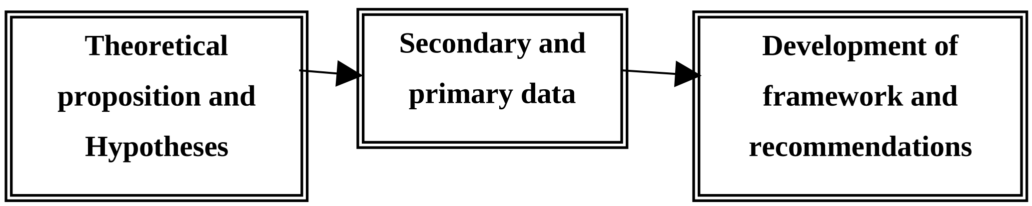


Figure 3.1: Research approaches (adapted from Bryman & Bell, 2011; Neuman, 2014)

Combining inductive and deductive approaches provides sufficient evidence and outcomes for working towards finalising the theoretical proposition and generalising recommendations.

3.6. Triangulation

The notion of triangulation has been adopted from the engineering discipline and can be defined as the measurement constructs used by management researchers for the reduction of any chances of error due to a lack of data sources, methodological rigour, theories, and observations (Robson, 2011). According to Bryman & Bell (2011), the application of triangulation consists of using multiple theoretical perspectives, observers, data collection, methodologies, approaches, and analysis for the identification and minimisation of error impacts across the entire research process. For instance, when authenticity of a data source is low, it is appropriate to use data triangulation and collect data from various sources. By using multiple methods, triangulations allow researchers to increase the validity of findings and so increase confidence regarding the generalisations and recommendations researchers develop. Consequently, triangulations can increase the contribution and application of the research (Miles *et al.* 2014). As triangulation is not a laboratory experiment, researchers can apply one of four types of triangulation for research (Miles *et al.* 2014):

- Data triangulation: Data can be from interviews, questionnaires and secondary data;
- Methodological triangulation: This can use both inductive and deductive approaches;
- Theoretical triangulation: This can be carried out from within the proposed framework, considering the greatest possible number of variables in both qualitative and quantitative categories that are derived from the principal inferences from the literature review, considering all possible aspects of CG perspectives in relation to Saudi Arabia; and
- Data analysis triangulation: This could be carried out by use of multiple analyses and evidences for testing the hypotheses, for instance descriptive statistics, regression analysis, interviews, literature review, and the analysis of secondary data in relation to CG.

In this case, the methods are combined to allow for statistical analysis on the survey and triangulation with the hypothesis from interviews.

3.7. Sampling

Sampling is central to research design, as it determines the data collection plan. Consequently, researchers generally use a sufficient number of units of analysis to be representative of the population that offers the required data, fulfilling the analysis purposes in relation to the research inquiry (Sekaran & Bougie, 2014). Therefore, according to Sekaran & Bougie (2014), sampling involves researchers selecting a representative sample from the population, as it is rare that an entire population is used as a sample. Sampling techniques can be categorised into two types: probability sampling and non-probability sampling, which enables researchers to collect data during the research process in a practical way in relation to cost, time and potential complexities. Samples can also be categorised based on various criteria through the application of various strata, filters, proportions, clusters and randomness. According to Saunders *et al.* (2009), probability sampling involves selecting units from the population such that all population units have the same probability of being selected. Therefore, probability sampling was selected for this research, as CG in Saudi Arabia has a small population in relation to employees and other stakeholders. The population of the respondents for this research work is made up of employees and corporate management stakeholders related to the practice of CG in Saudi Arabia, both directly and indirectly. There are two means for the calculation of sample size: based on margin of error (Saunders *et al.* 2009), and on the total number of variables in the framework (Pallant, 2010).

Concerning the level of accuracy, Sekaran & Bougie (2014) note that larger samples can reduce error rates and increase validity of generalisations, as samples represent a larger proportion of the population. Saunders *et al.* (2009) noted that 'the larger the sample size the lower the likely error in generalising the population; therefore probability sampling is a compromise between the accuracy of the findings and time and money invested in the collecting, checking and analysing data' (p.210).

The other method of determining the sample size involves the total number of variables, where Stevens (2009) suggests using fifteen responses per independent variable, while Tabachnick & Fidell (2014) suggests using a minimum of 50 + 8m variables, where 'm' is the total number of independent variables. As there are six variables in this research's conceptual model discussed in the previous chapter, according to the formulae suggested by Stevens (2009) and Tabachnick & Fidell (2014), this research requires either 15 x 6 = 90 or 50 + 8(6) = 98 responses as the sufficient number for carrying out the statistical tests using SPSS software (Pallant, 2010). However, the primary problem is in getting 90 or 98 respondents who are working at the top management level in relation to CG practices in Saudi Arabia. Consequently, this research has adopted the sample size selection method based on the level of accuracy suggested by Sekaran & Bougie (2014). Therefore, the sample size calculation for this research has been governed by the degree of certainty required, the tolerable error margin, the type of analysis undertaken, and the available population size (Saunders *et al.* 2009).

For this study, the total available number of stakeholders and employees engaged in CG practices in the corporations available in Saudi Arabia would not be more than 300. As this is not a large population and there is a possibility of a low response rate from the questionnaire, the researcher tried to contact the maximum possible respondents from the available population for an interview survey. Consequently, assuming a 5% of margin of error and the available population size of 300, this research would require a sample size of only 15 (Saunders *et al.* 2009). From a total of 25 potential interviewees contacted, 15 interviewees agreed to take part in the interviews.

Some concern also existed regarding the possibility that respondents would wish to respond with statements that the interviewer would wish to hear rather than their actual view. For this reason, it was heavily stressed to respondents that their honest feedback was sought because of the valuable nature of their insights. The respondents were also assured that their feedback would not be personally identifiable in the research and would not be discussed outside of the research with their companies or colleagues. The relatively similar demographic makeup of the sample would also normally be of considerable concern, but it is reflective of the demographic makeup of the SMTs in the companies surveyed.

3.8. Data Collection and Analysis Techniques

According to Saunders *et al.* (2009), data collection is a crucial element of research design that allows the researchers develops or test their theories. There are data collection instruments, including: interviews, questionnaires, experiments, observations, historical transactions, archived documents, and discussions. According to Saunders *et al.* (2009), data can be categorised into two types, namely: primary data and secondary data. Saunders *et al.* (2009) defined primary data as the data collected by researchers themselves, whilst secondary data are collected from existing or published information. However, both types of data have disadvantages in relation to reliability and validity due to data collection methods, authenticity of data sources, scales applied, and biases on the part of the respondents or researchers. Consequently, Saunders *et al.* (2009) suggests the use of multiple data collection techniques in the form of different instruments or sources. In this way, errors may be reduced and the validity of the results may be increased. This is known as the application of data triangulation, as discussed above. Therefore, this research has collected both the primary data and the secondary data in relation to CG practices, employing two data collection instruments, namely interviews and questionnaires. To test the hypotheses for the conceptual model, a deduction process will use secondary data from websites and reports of various corporations who practice certain aspects of CG in Saudi Arabia and the primary data collected through interviews and questionnaires.

3.9. Interviews

The primary issue that should be taken care of in relation to data collection is how interviews should be structured. According to the classification in relation to the level of structure suggested by Easterby-Smith *et al.* (2012), this study adopted a semi-structured interview method, similar to the guided open interview style. The interviews were used to collect data for exploration and extraction of more in-depth information from the corporation's' top management regarding the CG practices in their organisations. The interview questions and interview protocol were prepared as a guideline for conducting the interview process. Furthermore, the academic purpose of the research and confidentiality were applied during the interview processes, and this was conveyed to the interviewees in advance (Bryman & Bell, 2011; Sekaran & Bougie, 2014).

Bryman & Bell (2011) note that, when compared to other interview structures like closed-ended questions and structured interviews, semi-structured interviews with open-ended questions facilitate extraction of the greatest amount of information, and obtain the rich description needed for deducing a conceptual model via various data sources. The patterns or variations that emerge from the data and the willingness of respondents to reveal more detailed information are evident in semi-structured and flexible types of interviews, allowing interviewees to feel more comfortable (Neuman, 2014; Sekaran & Bougie, 2014). To reduce errors, the research attempted to apply different techniques during data collection, such as using open-ended and less impactful questions, producing interview questions in both English and Arabic, assuming an appropriate tone for discussions, allowing flexibility in order of questions, obtaining prior approvals and agreeing timings for the meetings, explaining the academic purposes of the interviews, and conveying confidentiality in advance to the interviewees. Also, analyses of the interviews were carried out through coding, categorising, and transcribing the data (Saunders *et al.* 2009). As the interview needed considerations in relation to ethics, morality and bias control, the interpretations and the recording of the interviews were carried out by the interviewer. The following table describes a sample interview protocol.

3.9.1. Interview Protocol

Table 2: Interview Protocol

Interview Type	Personally administered, face-to-face and semi-structured
Duration of Interview	45 – 90 minutes
Level of interviewees	Decision-makers in relation to CG (e.g. chief executive officer, general manager)
No. of executives in sample	15
Purpose and style	Exploration and extraction of information
Interview Place	Office or conference room
Language	English and Arabic
Confidentiality Level	High
Morality and Ethics	Respondents were asked if they would participate in an interview in advance for data collection. Interviews were carried out upon receiving written approval
Recording responses	The interviewer explained to each interviewee that the interview needed to be recorded, and interviews were carried out upon receiving written approval
Information exchange:	Some questions for selected topics were prepared in advance, whereas the rest of the discussions was more flexible
Question Types	Open-ended, describing and explaining processes or situations
Interview Ending	Thanking respondents for their time and contribution

3.10. Question Types

The Likert scale of 1 to 7 was applied rather than a 1 to 5 scale in order to offer more choices for each answer and to get extra views from respondents in relation to CG practices. The Likert scale was applied to all questions for superior analysis, better comparison and ease of understanding for the respondents. A sample of 5 questions was sent to various experts and managers as a pilot study for checking thoughts of respondents while answering the questions. This pilot study also received feedback from the experts and corporate managers. Re development of questions, Saunders *et al.* (2009) states that researchers should not use negative words, acronyms, phrases with multiple meanings, emotionally charged words, abbreviated words and jargon~~s~~. Also, researchers should explain the ethics and academic purposes of the research, as well as confidentiality of interviews.

3.11. Data Analysis

The data from the interviews was analysed in three steps. Firstly, each question's major theme and relevance to the framework were identified so as to structure the flow of analysis. Secondly, interview notes taken during interviews were converted into transcripts or as principal messages from the interviewees. Finally, these transcripts were examined via analysis of content, employing the theme structures derived from step one (Saunders *et al.* 2009). The data analysis was carried out using descriptive statistics and other parametric and non-parametric statistical tests, with prior coding, screening and cleaning of data using statistical software (SPSS). Mean, mode, range, standard deviation and variance were obtained for independent and dependent variables.

3.12. Research and Ethical Issues

This research involved human participation during the collection of data through interviews and responses to the questionnaires, so this research had to ensure conformity to the fundamental principles of ethical rules: autonomy, non-malfeasance, beneficence, and justice. Autonomy deals with respecting and safeguarding individuals and protecting them against abuses and harm. Non-malfeasance is a requirement that the research project not cause risk or harm. Beneficence is a requirement to maximise the advantages and minimise the harm of the research project, and justice consists of treating individuals well and demonstrating the proper morals with regard to equal opportunity (Kakabadse *et al.* 2002).

3.13. Reliability and Validity

A key aspect for research findings is acceptance by peer review founded on validity, reliability, and generalizability. Validity refers to measurements employed for variables that correspond closely with reality. Reliability refers to measurements that yield the same or similar outcomes when applied to other instances. Generalizability refers to how far research findings confirm or contradict the present body of knowledge. These three aspects are related to the positivist stance and deductive approach which have been adopted to test the conceptual model employed in this study (Easterby-Smith, 2012; Neuman, 2014). The reliability of scales and measures can be ensured by obtaining the outcomes of consistency and stability tests such as Cronbach's Alpha coefficient, which ranges from 0 to 1, revealing that the measures employed could correlate with the development of the scale. On the other hand, validity is a measurement that can be obtained from factor analysis or principal component analysis, as these tests imply how many measurements could predict a variable, and correspond the prediction of a specific variable (Pallant, 2010). Consequently, various statistical tests were carried out for the measurements of validity including content validity, criterion validity, and construct validity (Pallant, 2010).

Chapter 4: Secondary Analysis of the Study

4.1. Introduction

This chapter starts by introducing the study analysis strategy, the objectives of the analysis, the structure of the study analysis, and the secondary analysis based on benchmarking. Next, the current status of corporate governance in the Saudi Arabian Monetary Agency (SAMA) is presented including the organisational background, the organisational structure, the management control and government support, the strategic vision and approach, the responsibility and sustainability strategy, the governance standards, and transparence. Following this, the same topics are presented for Sanabil and Sabic. Subsequently an analysis on global corporate governance and Saudi Arabia is presented including global market performance.

4.2 Significance

This chapter focuses on case analysis procedures and on the dependency of the study on the secondary data, which relates to three large-scale Saudi organisations: SABIC, the Saudi Arabian Monetary Agency (SAMA) and the Sanabil Investments. This chapter provides a broader context for the more detailed study presented in Chapter 5. This enables a focusing in the interviews and surveys of the most critical questions and generates a larger cultural, political, and commercial context to consider CG adoption in the KSA.

The three organisations were analyzed on the basis of the pillars and attributes of CG. The collection of secondary data was based on the official websites of the three organisations, along with government records, reports and other support material. The timeframe of this data was based on the availability of cross-sectional data, as cross-sectional data is collected by observing many of documents instead of focusing on a limited time frame and data type, which precludes extensive generalisation.

4.1.1. Study Analysis Strategy

The strategy for analysing the cases is benchmark comparison. Comparison is an effective strategy for analysing the performance of the three organisational entities based on their similar attributes (Grinnell and Unrau, 2010). To achieve a successful comparison, the attributes taken for comparison are the same for all three organisations and so the results are more CG-centric. Thus, the secondary analysis depends on application of data from the three organisations with similar properties. In addition, the global perspective of CG has also been analysed in this study for the overall secondary data analysis. All three organisations serve as individual case studies. This comparison also served as the case strategy for the analysis of the study. Another advantage of using the organisational analysis and comparison strategy is that, through secondary analysis, the theoretical perspectives and the application of the theories were also analysed. This whole process supported the evaluation of the theory and practice of CG in large-scale organisations in Saudi Arabia, and it helped in developing the findings and future discussions of the study.

4.1.2. Objectives of the Analysis

The aim of this section is to execute the research strategy as discussed in the previous chapters. This chapter helps in analysing the theoretical data with the help of secondary analysis. The secondary analysis also serves the purpose of meeting the research objectives. The secondary data analysis is done using authentic and relevant published material, to avoid plagiarism and data misrepresentation. This chapter also involves finding solutions to the research problem and discussing the research questions with the solution so as to compare and promote the components of CG. As mentioned in chapter 3 triangulation would be applied. In this work, triangulation was undertaken by considering the The objectives of this section are as follows:

- Understanding the gap between theory and application in the success of the CG practices of the three organisations.
- Obtaining information about the three cases and comparing them successfully in order to formulate the results.
- Enhancing the sense of business and CG operations successfully, by evaluating

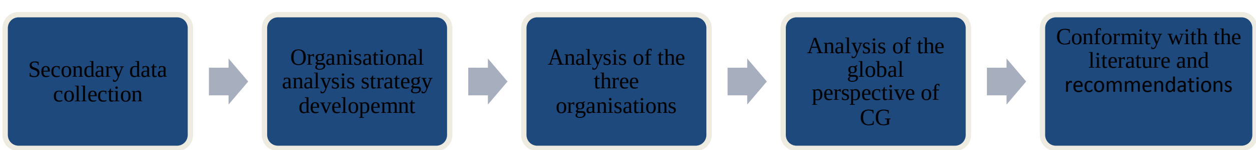
organisational CG attributes and developing a detailed analysis.

- Formulating a workable action plan for future implementations and discussions of the application of CG in the large-scale organisations
- Understudying the role of CG in the success of the organisations

4.1.3. Structure of the Study Analysis

The case analysis is based on secondary data collection. This is followed by the discussion and comparison of the cases in order to develop findings. A different structure of information processing has been followed for the secondary data collection than for the primary data collection approach of this study. The secondary analysis was based on both the quantitative and qualitative analysis method. The overall flow of the case analysis evidence is shown below (the structure shown in Figure 5.1 is adapted from Yin (2009)). The case has a self-constructed structure which has been used to compare and analyse the CG performance of the three organisations individually and then collectively based on both the secondary and primary data.

Figure 2: Case analysis structure (Yin, 2009)



The case analysis will be tested for the hypotheses of the study as well as for some of the objectives. The study's structure is used to develop theoretical as well as practical understanding of the cases, whereas the setting of the hypotheses was not based on the same structure or flow of information. The case analysis has different attributes and so the CG attributes of the three organisations are analysed individually without a particular order related to the hypotheses (Truman, 2007).

4.1.4. Secondary Analysis Based on Benchmarking

Benchmarking has been widely used in secondary analysis comparative studies. Benchmarking provides facts and data analysis based on what could have been achieved and how it could be achieved (Gillis, 2006), introduces the idea of best practices that could be applied and also gives an idea of where a company stands compared to other organisations. The overall approach to benchmarking is different in comparative studies, so some attributes of benchmarking are applied only in comparative studies. In comparative studies, companies are compared on the basis of similar attributes that give information about the companies' work processes. This method is known as strategic benchmarking, as it tends to compare companies' attributes in a strategic way. In this study, on the basis of comparative analysis, the benchmarking process has been adapted for the clear comparison of the application of CG attributes within an organisation (Heaton, 2003).

4.2. The Current Status of Corporate Governance in the Saudi Arabian Monetary Agency (SAMA)

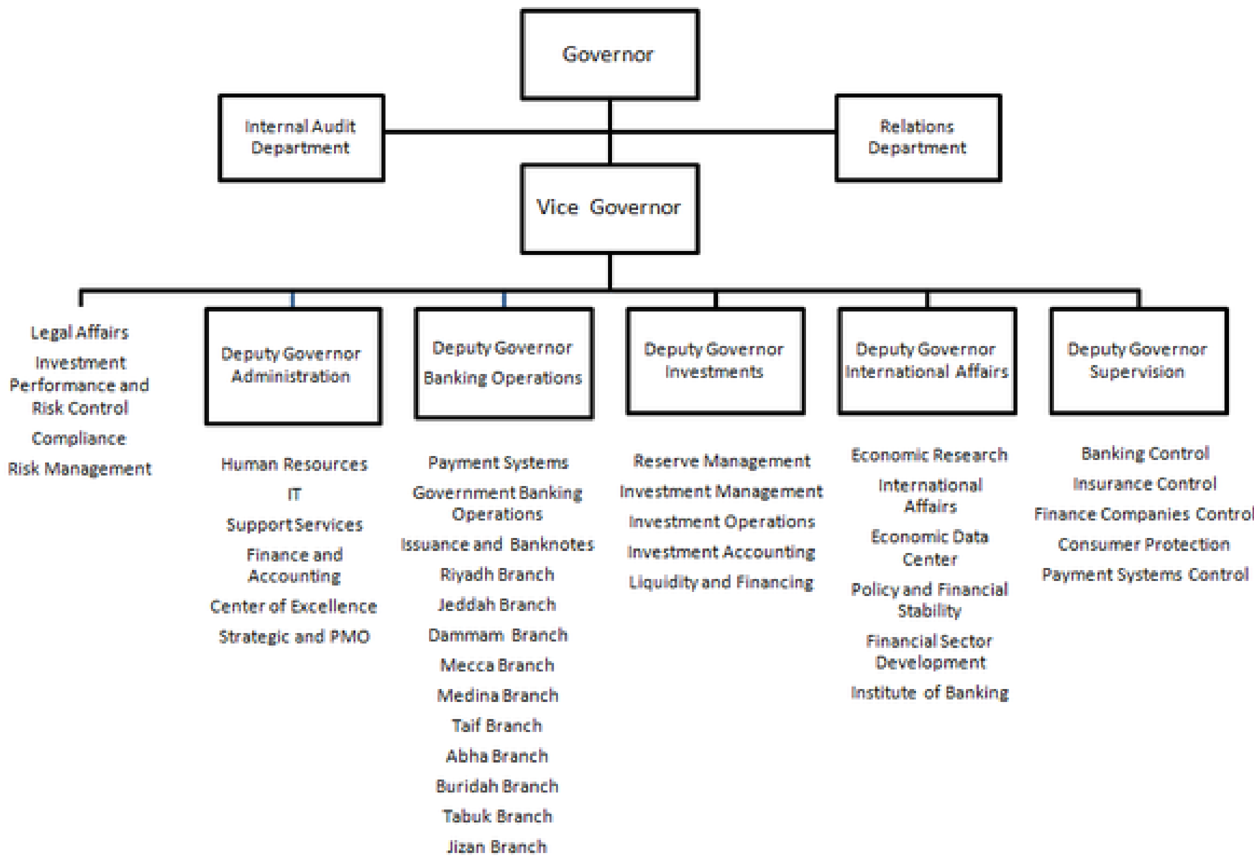
4.2.1. Organisational Background

The SAMA is the central bank of the Kingdom of Saudi Arabia and focuses on managing foreign currency reserves. Established in 1952, since June 1986 it has had a fixed exchange rate relative to the US dollar. Foreign exchange surpluses are from exporting crude oil. In 2003, Saudi Arabia was the largest crude oil exporter in the world. Oil receipts are mainly invested overseas within a sovereign fund. According to the U.S. Energy Information administration (EIA) in 2013, Saudi Arabia is the world's top oil producer, and possesses the fifth largest gas reserves. The SAMA has international branches and it follows all the regulations of bank control law (Bazoobandi, 2013). The board of directors consists of members of the management team and participates in daily activities. Non-executive members are technical advisors who advise on asset management. The SAMA operates nationally and globally based on CG practices (Mallin, 2011). The senior members understand the risks associated with business operations and ensure that proper planning and focused CG practices are in place in order to avoid risk.

4.2.2. Organisational Structure

Organisational structure governs the allocation of activities and tasks. It helps in assigning duties and responsibilities to the management according to their roles. It also allows the management to gather information regarding standardised operations and to encourage the participation of individuals in business decision-making (Bazoobandi, 2013). For good CG, organisational structure must be flat, so that employees are accountable for their duties. The figure below shows the organisational structure of the SAMA:

Figure 3: Organisational structure of the SAMA



Source: SAMA (2016)

From the above structure, it can be noted that the organisation has a flat structure. The Governor, who supervises the internal audit department and the relations department, is at the top level

(Tasmenyi and Uddin, 2008). Next come the Vice Governor, who is responsible for supervising the Deputy Governor of Administration, the Deputy Governor of Banking Operations, the Deputy Governor of Investments, the Deputy Governor of International Affairs and the Deputy Governor of Supervision (Shaw, 2013). The Deputy Governor of Administration looks after HR, IT, finance, strategy and PMO (Popov, 2014). Fahad Al Mubarak, appointed in 2011, is the current Governor. Abdulaziz Salih Alfuraih, appointed in 2014, is the current Vice Governor. Hashem Othman Al Hekil, appointed in 2013, is the current Deputy Governor of Banking Operations. Tareq Abdulrahman Alsadhan, appointed in 2015, is the current Deputy Governor for Supervision. Ahmed Adulkarim Al Kholifey, appointed in 2013, is the current Deputy Governor of Research and International Affairs. Aryman Mohmaed Al Sayai, appointed in 2013, is the current Deputy Governor of Investment; and lastly Adfulrahman Al Mahmoud, appointed in 2013, is the current Deputy Governor for Administration (Bazoobandi, 2013).

4.2.3. Management Control and Government Support

Management control is the system that helps to gather information in order to evaluate the performance of an organisation. The management control system and government support help an organisation to envision the future and to devise strategies according to its internal and external environment (Mallin, 2011). In the SAMA, management control is based on internal audits. Independent appraisal activities are performed so as to ascertain its operational efficiency. Improvements are then made based on the analysis, recommendations and appraisals outlined in the audit (Shaw, 2013). The management and internal audit standards of the SAMA include:

- Focusing carefully on activities, to ensure efficiency of operations. The internal audit activities are independently performed
- Evaluations and examinations based on the quality of performance
- Planning, examinations and evaluations done in a timely manner and followed up monthly
- The chief audit executive being responsible for managing auditing activities carefully in order to add value to the business

- Complying with governmental rules and regulations
- Setting objectives, goals and strategies to be beneficial for the Saudi economy
- Safeguarding assets using proper asset management tools.

4.2.4. Strategic Vision and Approach

Large-scale organisations make efforts to enhance organisational efficiency by focusing on strategic vision, helping them to analyse their future, so that they can conduct business. Setting a she strategic vision requires a specific approach. The SAMA is a future-oriented organisation and aims to improve economic conditions in Saudi Arabia. The core aim of the SAMA is to deliver funds in order to increase the wealth of country (Popov, 2014). The export of oil commodities helps to increase foreign exchange holdings(Mallin, 2011). The SAMA uses forecasting tools to analyse external forces and uncertainty, enabling IT to manage risk and respond to uncertainty.

4.2.5. Responsibility and Sustainability Strategy

Responsibility and sustainability strategies are governed by the Governor and board of directors. The board of directors is responsible for bank affairs and management, as well as for overseeing, approving and implementing strategic objectives. The strategy devised by the organisation is implemented by the top management based on an advisory service, while the board of directors is responsible for monitoring and implementing the guidelines of CG (Young, 2003). In this way, professional values are created and the management monitors the performance of the organisation based on accountability (Bazoobandi, 2013). Senior managers are also responsible for overseeing day to day operations. They manage operations based on their competencies, and take decisions to improve the management of the business. Senior managers are also responsible for submitting annual reports regarding internal audits and controlling. Therefore, the board of director is crucial in ensuring the effectiveness of the organisation.

4.2.6. Governance Standards

The CG strategy followed by the SAMA is based heavily on ethical guidelines. Activities are standardised and the employees are treated equally according to their designation (Davies, 2012).

Top management understands the importance of its employees and of their well-being. Employees are valued in the organisation and treated ethically.

The governance standards of the SAMA are based on following aims:

- To enhance the economic efficiency of the country
- To gain sustainable growth
- To maintain financial stability
- To focus on long-term investment and ensure the well-being of stakeholders
- To provide general rights to stakeholders
- To share information among members
- To maintain disclosure and transparency

4.2.7. Transparency

Transparency in operations is maintained through proper sharing of information. The disclosure of information helps the SAMA to keep its business operations clear. In this way, relationships are based on transparency. The organisation also requires that investors show clear information regarding their business practices (Tasmenyi and Uddin, 2008). Any unethical business practices of an investee cause the relationship to be terminated. The board of the SAMA ensures that the internal and external auditors comply with ethical business practices and that information is shared in the form of financial and sustainability reports. The prompt sharing of information helps all business activities run smoothly (Shaw, 2013). In this way, financial and non-financial information is shared with both parties concerned. The transparency practices of the SAMA include:

- Provision of comprehensive information regarding strategic decisions and future trends
- Provision of information regarding investors, shareholders, depositors etc.
- Provision of information regarding any compensation paid to management
- Reporting the future concerns of the bank
- The guiding principles followed by the management must be provided

4.3. The Current Status of Corporate Governance in Sanabil Investments

4.3.1. Organisational Background

The Public Investment Fund (PIF) was established in 1971 to facilitate the development of the Saudi Arabian national economy. In 2008 the organisation was managed under a Sovereign Wealth Fund (SWF), and the fund was based on long-term investment strategies. Sanabil Investments (Sanabil) is a joint venture headquartered in Riyadh. The company aims to gain sustainable returns on long-term investments (Wilson, 2012). The organisation focuses on investment, diversification, risk management and CG so as to remain competitive in the international market (Popov, 2014). Sanabil also aims to contribute towards economic development and sustainability in Saudi Arabia. The share capital of the company is around twenty billion riyals and it is fully publicly owned.

4.3.2. Organisational Structure

Organisational structure helps with the allocation of governance responsibilities. The organisational structure of Sanabil's board is given below:

Figure 4: Organisational structure of Sanabil

Source: (Sanabil Investment, 2013)

Figure 4 shows that Sanabil is managed by the board of directors. The board of directors comprises seven managers and is maintained by the ministry of finance. The board has three committees, the investment committee, the audit and risk committee and the human capital and compensation committee. The CEO, senior management committee and management investment committee are responsible for decision-making (Sanabil Investment, 2013). There are few middle managers among the staff and executives. In flat organisational structures, staff are directly supervised by managers. The chain of command is small, so Sanabil's structure is flat. A flat organisational structure helps to meet the needs of employees and makes them accountable for their work. Employees are also involved in the decision-making process. In Sanabil, key staff members such as the CEO and the board of directors are the main decision-makers of the company. The chairman of the company is Dr. Inrahi Al-Assaf. According to the chairman's message, the company follows strategic goals and aims to contribute towards the development of the Saudi economy. Operations performed by the company comply with the law and the company capitalizes on human talent, ensuring responsible governance and following ethical standards (Shook, 2008).

4.3.3. Management Control and Government Support

The transparency in business maintained by a company helps in gaining the trust of the government. Companies that make their information available externally can gain the trust of society and community. Sanabil performance standards are set by the board of directors and performance measurements are used to analyse organisational efficiency (Mallin, 2011). In Sanabil, management control focuses on following aspects:

- Analysing actual performance compared to the performance standards set by the board
- Measuring the efficiency of the company based on its capabilities
- Enhancing company activities through focusing on research
- Eliminating the wastage of resources and minimising the cost differences.

Sanabil's decentralized structure helps it gain the trust of local government and delegate authority to each staff member responsible in their respective areas.

4.3.4. Strategic Vision and Approach

Sanabil is owned by the state and operates commercially. It follows a diligent multi-level governance approach to manage the business globally (Koldertsova, 2010). The investment portfolios of the company are diversified and the organisation focuses on various types of fund investment. The partners of the company are selected based on common goals and expertise. Intangible resources are also valued in the company and its workers are considered to be crucial pillars in the success of the company (Shook, 2008). The figure below shows the process of activities performed by Sanabil, is based on a systematic approach:

Figure 5: The systematic approach used by Sanabil

Source: (Shook, 2008; Sanabil Investment, 2013)

Figure 5 shows that firstly screening is carried out, in which the list of major investments is finalized. Next, an in-depth analysis is taken regarding the activities of the investees' companies, ensuring that they follow ethical business practices and are eligible to partner with Sanabil. Later a comprehensive appraisal is conducted, which includes due diligence investigations. Details regarding company liabilities and assets are gained from their financial statements. Finally, an investment decision is made and a partnership is established (Koldertsova, 2010).

4.3.5. Responsibility and Sustainability Strategy

The company's investments are based on asset management portfolios. The strategy adopted by the company is constructed on diversified security, which determines the appropriate return on the investment. In this way, capital is preserved and the performance of the company is monitored continuously. The investment principles of Sanabil are:

- The company uses a dynamic approach while selecting investments and the core focus is towards growth and development
- Partnerships are selected both locally and internationally
- Active monitoring is carried out to ensure value added by ownerships
- Investments are based on long-term relationships, which result in the creation of value

4.3.6. Governance Standards

The governance standards of company are highly based on ethical standards. Sanabil follows ethical guidelines shared by its board. Duties and responsibilities are shared to employees according to their role (Davies, 2012). The managers, shareholders, auditors, creditors and board of directors are responsible for making decisions and governing the company. Its governance mechanism is based on practices, policies, actions and decisions. Employee well-being is encouraged and employees are highly valued. Relationships are maintained based on ethical principles and collaboration is encouraged among partners. The clear guide given regarding CG helps ensure that the management fulfils its duties of responsibility. This helps to maintain the efficiency of business operations (Lipman and Lipman, 2006).

4.3.7. Transparency

Transparency shows that the company's business operations are clear. Transparency plays a significant role in enhancing company image and in gaining stakeholders' trust. Transparency in business operations results in building partnerships and in reassuring stakeholders regarding risk uncertainty (Shook, 2008). Sanabil assures transparency throughout its operations. The investment process helps in disclosing information, which not only results in prompt work, but also in presenting accurate information, so better relationships can be built between Sanabil and its stakeholders (Davies, 2012).

Table 3: Comparison of the SAMA and Sanabil

Item	**SAMA**	**Sanabil**
Started in	1952	1971
Current worth (US$ billions)	26,110	181.150
Organisational structure	Present	Present
Management control authority	Present	Mechanism-based
Government support	Yes	Yes
Strategic vision	Present	Random
Responsibility and sustainability strategy	Implemented	Random
Asset allocation fundamentals	Mechanism-based	Random
Decision-making	As per policy	Random
Governance standards	High	Random
Transparency level	High	Random

Table 3 shows that the SAMA is more consistent in performing its business operations based on the CG framework. The SAMA focuses greatly on CG practices in order to render the business successful in international market.

4.4. The Current Status of Corporate Governance in SABIC

Saudi Basic Industries Corporation (SABIC) is a Saudi joint stock corporation. The corporation was registered in the commercial registry at the Ministry of Commerce and Industry. The head office is in Riyadh. The vision of the company is to be the new world leader in chemicals and provide quality products and services through innovation, learning and operational excellence. Along with sustaining value for the stakeholders of the company, SABIC has realised the need to be socially, ethically, and economically responsible. The main priorities of SABIC involve health and safety, corporate social responsibility, technology and innovation (www.sabic.com, 2015).

SABIC strictly follows the guidelines of CG and so its board of directors and employees are all involved in ensuring that information and disclosure policies support the CG of the company. The company follows transparency principles under a legal and authoritative structure, which supports the sourcing of information and its circulation in the company. However, unknown sources and the disclosure of information from other sources are kept under consideration, to avoid conflicts and legal affairs (www.sabic.com, 2015).

4.4.1. Organisational Structure

In SABIC's organisational structure, it seems that all operations are in the hands of the chairpersons and board of directors. However, there are several levels to the management system, and company diversification and expansion makes the organisational structure complicated to study. The lack of support from SABIC in managing organisational structure does not follow CG standards, although the company shows active employment of all other attributes of CG.

Figure 6: Organisational chart of SABIC

Source: (The Official Board, 2016)

Figure 6 shows an outline of SABIC's organisational structure; due to lack of information, this is the most detailed structure available. It shows that the executives are fully responsible for their specific areas. The company supports innovation and a hierarchical chain of command, where employees are well-trained and productive under the policy guidelines and company culture. Furthermore, employees are also involved in the decision-making process but final decisions are taken by top management, showing that the executives are ultimately responsible (Naciri, 2008).

The finance department and CEO supervise the funds and present general guides on CG in order to manage funds and investments for new projects. However, the board and executives design the strategies and manage other activities (Saidi, 2012).

4.4.2. Management Control and Government Support

SABIC is one of the world's top 10 largest petrochemical manufacturers and so requires strong governmental and managerial support to carry out its operations. The management control system needs to be effective in order to run the organisation efficiently. Top managers need to be confident that the process and procedures they follow are efficient (Ang, Brandt and Denison, 2014). Furthermore, the organisation's management control systems need to ensure that all IT equipment, capital equipment, accommodation, financial and personnel are placed correctly (Drezner, 2008). The company's updated CG guidelines also include money management based on transparency and information. The focus on responsible management helps to promote a good image of the company, which supports and promotes management control in terms of investigation and research, in order to analyse the impact of its CG on economic growth. The economic boom in Saudi Arabia that started in 2006 has boosted trade and business in many ways. The main factors of Saudi Arabia's success involve the strong foundation of oil-based earnings, which also improves the growth of the petrochemicals industry. Therefore, SABIC enjoys governmental support which tends to improve the company's profits and helps in managing the company and its decisions in the long run (Olannye and Anuku, 2014).

4.4.3. Strategic Vision and Approach

SABIC's strategic vision and approach is based on long-term investment and sustainable profits. SABIC's strategic vision is to be a world leader in the petrochemical industry. However, it also aims to establish sustainable strategies. SABIC has been working to integrate sustainability principles into the company's core business approach for long-term management. These dimensions involve the social, environmental and economic factors. The company's funds and investments allow the Ministry of Finance to use hybrid asset allocation portfolios to gain the best return on investment. SABIC follows a responsible approach to ensure a sustainable future

SABIC's long-term 2025 strategy is based on talent management, achievement of sustainability and the representation of its business pillars and conduct for maintaining a successful image and performance in the industry.

4.4.4. Responsibility and Sustainability Strategy

SABIC works on business standards and so follows a responsible and sustainable long-term strategy. SABIC generates sustainability reports and keeps its stakeholders informed about any potential difficulties in the sustainability of the company (Hussainey and Al-Nodel, 2008). The core aim of SABIC's sustainability strategy is 'foundation for the future' (www.sabic.com, 2016). This shows that SABIC is a future-oriented company that works to ensure the future of the country as well as for its staff. SABIC manages its funds very efficiently to achieve sustainability in its projects and future investments. Top priority is given to managing funds ethically and maintaining CG practices (Ang, Brandt and Denison, 2014). SABIC provides its customers with innovation and high-end services. Sustainability a core element of the company's long-term 2025 plan.

Sustainable strategies help SABIC to align with investee companies and to provide clear guiding principles so that future relationships can be built. The investee company also needs to follow guidelines of not employing child labour to remain competitive. By such strategies, the investors are promoting ethical business practices and contributing responsibly towards social development. However, the funds cannot always uphold their ethical commitment in bilateral trading and foreign policies. The funds may lose credibility if a company brands itself as an overly vigorous equity owner. Therefore, a balance must be struck in terms of sustainable and ethical standards in order to seek profitable returns. SABIC is amongst the most ethical investing companies, strictly adhering to social responsibility, human rights, control standards and reducing pollution. This shows that the company is responsible and is maintaining transparency in its business practices.

4.4.5. Investment Strategy and Asset Allocation

To maintain sustainable growth and development, a future-driven investment strategy and proper asset allocation is essential. SABIC, as one of the world's most renowned petrochemical companies, plays a vital role in the success of the region in terms of the future growth of the Middle East. SABIC's current investment is expected to reach to $25billion in the next few years.

SABIC is also committed to contributing to society on the basis of corporate social responsibility (CSR), which makes the company more ethically and socially responsible, as well tending to improve the market image and the business operations of the company. The company is also investing in CSR activities. In this way, benefits are gained based on ethical guidelines and responsible investment, to gain, economic stability in both the long and short run. High financial returns also benefit the national government by protecting the economy, so the contribution of the firm is important. SABIC's investments and sales have promoted the Arab region and thus brought new opportunities along with expansion in the business, which have eventually supported the economy of the country and its trade relations in the international market. All this is due to the successful implementation of CG rules and regulations thus far in doing business and managing transparency in investments. SABIC's long-term planning has given an advantage to the current economic climate and the sustainable long-term development of Saudi Arabia by boosting the regional economy of the country.

4.4.6. Asset Allocation Fundamentals

SABIC believes in risk management and effective asset allocation, which is designed to achieve future outcomes and performance excellence. In order to achieve these goals, SABIC also outsources in investment matters. SABIC outsources its asset performance management systems to Meridian. Due to an increase in competition, it is essential to manage assets and funds efficiently. High financial returns aid the national government in protecting the economy. However, spending must be separated from income accumulation so that dependence on petroleum revenue can be reduced. Therefore, the investment decisions taken by the government pension fund management are aligned with the benchmark index. SABIC's overall asset allocation requires not only human expertise but also technological support from the IT sector.

SABIC follows stringent standards in asset allocation and in robust investment. Such steps are essential for SABIC in managing reliability, risk inspection and performance indicators for project management, and for enhancing asset allocation and management decisions.

4.4.7. Governance Standards

SABIC follows CG strategies and standards very rigorously. The operations of funds are based on strict governance standards and equal treatment is demanded for the well-being of shareholders and of the financial market. SABIC's governance has shown weak spots, and the discussion on the management style and structure of the company has also shown low authority over its investment strategy, making it weaker than the other two companies examined. However, SABIC tends to excel in terms of the accountability standards and transparency standards set by the government.

The Capital Market Authority (CMA) has issued a resolution that applies to CG standards in the market from the beginning of 2012. These rules and regulations were applicable to all the listed corporations and authorised business entities in Saudi Arabia. These aim to improve the quality, transparency, and disclosure of the business sector so as to develop a sustainable investment environment in the country.

SABIC follows strict CG strategic standards. For example, in the past the company's management voted against an irrelevant remuneration that is irregular or unjust salary compensation on basis of profits, and so the CEO and chairman of the board understood the need for better regulation and CG. In this way, by following CG practices, the company's stability in the financial market was enhanced. SABIC also received input from international stakeholders. The participation of both shareholders and employees, helped in maintaining high standards and focusing on the international CG network by collaborating with the Asian Corporate Governance Association and the Council of Institutional Investors.

Investor companies need to disclose all their information in order to show that they are using fair practices such as environmental practices like deforestation, carbon footprint and carbon disclosure (SABIC Sustainability Report, 2013). CG also requires that the company disclose all information related to climate change, employee rights, social responsibility, stakeholder communication and risk factors (Drezner, 2008). SABIC also follows all recommendations of CMA andtries to raise the quality, transparency and disclosure levels for a sustainable and suitable investing environment (www.sabic.com, 2016).

4.4.8. Transparency

CG and transparency go hand in hand when it comes to the fairness of business operations and dealings with stakeholders. Transparency and the disclosure of information are two of the most essential traits for gaining the trust of stakeholders (Daft, 1983). SABIC's CG supports the rules and regulations set by the authorities. In addition to this, the specification of rights and responsibilities are also followed by SABIC. SABIC shows a clear understanding of the rules and regulations of CG, along with the responsibility of being held accountable for the transparency of the decisions that the company makes.

4.5. Analysis on Global Corporate Governance and Saudi Arabia

In Saudi Arabia, the Report on the Observance of Standards and Codes (ROSC) assesses CG and benchmarks the required practices against the Organisation for Economic Co-operation and Development (OECD)'s principles of CG. However, it is also important to analyse the global perspective of CG, due to the increasingly globalised nature of the world. In this era of globalisation, communication, transparency, and accountability all play a vital role in information-sharing and business expansion. Therefore, Saudi Arabia also needs to analyse its position in the market from a global perspective in comparison with the Gulf countries and other Middle Eastern countries. Saudi Arabia also needs to reallocate its funds and investments in order to develop the expansion of businesses other than the oil industry, because of the unstable nature of the oil industry and its effect on the economy. Therefore, it is essential that Saudi Arabia determine its position in the region as well as in the world (Baydoun et al., 2012).

4.5.1. Global Market Performance of Saudi Arabia on the basis of Corporate Governance

In early 2006, the authorities and market regulators influenced the adaptation of CG rules and legal institutional reforms. Therefore, a list of Corporate Governance Regulations (CGRs) was established that provides the assessment and the rules and policies for listed companies according to the CG parameters. In terms of market profile, Saudi Arabia's equity market is relatively large - it is ahead of Qatar and Kuwait in the United Arab Emirates (UAE) market. However, share prices have been related to the international oil and market indices. Globally, CG has been known to affect a country's economy along with its relationships with international stakeholders (Al-Ghamdi, 2015). CG also applies to the investments of the countries as regulated by the international committees of the respective countries. In the Middle East, North Africa, and the UK, CG has faced evolutionary changes and enforcement based on rules and regulations. The emphasis on the adoption of CG has been achieved due to increasing competition, political changes, social changes, and global calls for better surveillance. The adaptation of CG could be done on the basis of developments in both the public and private sector. However, the involvement of board members is essential for the better adaptation of CG. Each country has its own CG codes and principles based on the Capital Market Authority or equivalent organisation. However, regional rules and policies can be similar depending on trade and investment ventures (Al-Ghamdi, 1998).

Western models of CG are more focused on the stakeholders of the company. In the Anglo–American perspective, the focus is more on the stakeholders' value, whereas in continental Europe and Japan, the focus is on the interest of stakeholders' groups. Therefore, globally CG is recognized as one of the major investment and business management practices that can create value in funds. The strongest competitors in the Gulf region in terms of CG excellence are the Abu Dhabi Investment Authority (ADIA) in the UAE and the SAMA in Saudi Arabia. However, for the Gulf countries, CG is still in the process of development, and there is still need for further regulations and policies to be managed by the professional bodies of CG in order to become the commercial centre of the region. Therefore, there is need of responsibility, management, transparency, and strategic vision for the internal existence of the market (Al-Turki, 2006).

The Organisation for Economic Co-operation and Development (OECD) framework is the most appropriate tool for analysing CG standards and the scoring of the Gulf countries. The following results were obtained based on the Gulf countries' data analysis regarding shareholders' rights, transparency, internal processes and management structure.

Figure 7: Showing the overall CG scores of the Gulf countries (Baydoun et al. 2012)

Overall scores and ranking of Gulf countries by levels of corporate governance												
	Internal processes		Shareholders		Transparency		Average	Rank based upon average score	Totals	Average	Rank based on total score
Bahrain	0.69	5	2.75	3	1.83	4	1.76	4	164	1.53	4
Kuwait	1.32	2	2.20	4	3.50	1	2.34	2	210	1.96	2
Oman	1.73	1	2.76	2	3.42	2	2.64	1	263	2.46	1
Qatar	0.79	4	1.30	5	1.33	5	1.14	5	132	1.23	5
UAE	1.03	3	3.15	1	2.58	3	2.25	3	197	1.84	3
Average	1.11		2.43		2.53		2.03				

Oman's corporate governance management shows a high level of compliance with CG rules and the application of the CG pillars. The investment criteria of Oman are divided into two forms: public markets and private markets. The public markets involve equity investments, fixed income investments and money market investments. They also promote and support joint ventures for the development of the country. However, private markets involve private equity and real estate investments. This whole of process of the management of funds is not usually well shared with the stakeholders, which creates lack of transparency. This is the reason why Oman's CG falls behind in transparency and takes second place, whereas the country ranks first in the overall average CG score.

Another reason for Oman's success is the contribution of its government in supporting CG rules in long-term national planning. Oman's government has made a long-term plan (from 1995 to 2020), and the implementation of this plan has enabled the country to develop its foreign investments, industries and the necessary arrangements of the country. The main agenda of this plan is to improve the economy by accelerating natural resource production and tourism in the country. Along with this, the plan also focuses on technological advancements and the expansion of information, communication development and human resource development. This is where Saudi Arabia lacks in long-term planning and in government contributions to developing the infrastructure of companies. Saudi Arabia also needs to invest in other modes of revenue generation for future success.

The overall reason for analysing these corporate governance scores is to identify which Gulf countries are performing better in terms of corporate governance compliance (Baydoun, Maguire, Ryan, and Willett, 2012). The global CG agenda has shifted toward the transparency and accountability of business practices over management and the other attributes of CG. There is an essential need for trust and investor confidence in boosting the economy of Saudi Arabia in the long run through CG and the involvement of large-scale organisations. It is also essential for Saudi Arabia to invest in socially responsible projects in order to maintain a positive global image. However, for institutions like the SAMA, environmental, social and governance (ESG) issues are more important than the endorsements of shareholders, whereas for other firms, shareholder value plays as equal a role as the other attributes of CG. These factors are also successful in managing FDI, cost-effective services, the freeing up of state finance, and other essential developmental projects. In recent years, Gross Domestic Product (GDP) growth has also has also been linked to the successful implementation of CG in various countries such as Oman and Kuwait. Saudi Arabia needs attain the global level of managing CG more actively like the other Gulf countries (Hussainey and Al-Nodel, 2008).

4.6. Chapter Summary

The involvement of the Saudi government in the management and ownership of capital structure provides an example of the future of large-scale business practices, since this involvement supports business operations and policy implementations. The information collected, however, demonstrates that CG features and adoption levels may vary greatly from industry to industry on the basis of transparency and online reporting with information sharing, even though the overall rules, policies, and regulatory measures are similar for all sorts of organisations. Global CG levels show that Saudi Arabia performs averagely in terms of its CG practices, with Oman taking first place among the Gulf countries in ensuring CG business practices. However, at a national level, Saudi Arabia does try to incorporate CG practices into its businesses so that future growth and the overall communication and transparency of the success of Saudi firms can be shared (Abu-Musa, 2010). This was seen in the information gathered on the three large Saudi entities presented herein. While the state-sponsored SAMA showed the best transparency and availability of data and Sanabil the least (i.e. in terms of transparency and overall CG features), SABIC showed a great deal of data involvement and availability of communication and reports. Therefore, SAMA and SABIC were more adaptive towards CG and more transparency. Notably, the benefits of CG were also visible in all three organisations .

The overall summary of the three corporations is as follows, based on the analysis of secondary data and the overall analysis of the attributes of CG. Table 4 gives the presence and the status of the attributes of CG listed in the left-hand column. All three organisations are analysed on the same criteria for clear comparison.

Table 4: Comparison of SAMA, Sanabil and SABIC

Item	SAMA	Sanabil	SABIC
Started in	1952	1971	1976
Current worth (US$ billions)	26,110	181,150	Not clear
Organisational structure	Present	Present	Present but not integrated
Management control authority	Present	Mechanism -based	Present
Government support	Yes, high level	Yes	Yes, high level
Strategic vision	Present	Random	Present
Responsibility/sustainability strategy	Implemented	Random	Implemented
Asset allocation fundamentals	Mechanism-based	Random	Market analysis-based
Decision-making	As per policy	Random	Strategic
Governance standards	High	Random	High
Transparency level	High	Random	Average

The overall summary of the secondary analysis of the three organisations on the basis of a comparative approach and the benchmarking process shows that the SAMA is working as the benchmark for the two other organisations. It also enjoys strong governmental support based on the institutional excellence. In contrast, while SABIC also enjoys strong governmental support, it lacks organisational structure and transparency. However, SABIC does excel in the other attributes of CG, such as accountability, decision-making, and transparency on the basis of report formation, communication, and sharing of authentic information. The company also follows CG standards very efficiently, so all three companies have shown successful market images and business performance as per the standards of the Saudi Arabian government and CG rules and regulations (Branson, 2001).

Chapter 5: Primary Data Analysis

5.1. Introduction

This chapter contains the primary data analysis. Major sub-topics include the qualitative analysis of the interviews, which involve the structure of the analysis, the limitations of the interview survey, the question-wise analysis based on themes, and a summary of thematic analysis. This is followed by the quantitative techniques of the questionnaire, which includes the structure of the analysis, the limitations of the questionnaire survey, the descriptive frequencies of questionnaire statements, thestatistical techniques applied for analysis, and a summary of SPSS outputs. The chapter first presents the results in details and then in a more integrated format.

5.2. Overview

The interview analyses help to direct the study from a qualitative perspective based on the findings of the literature review. The interview analyses are also helpful in generalising the results of the study, and hence supporting the quantitative data analysis on the basis of findings and future discussions. The method used for the data collection in the qualitative study took the form of interviews. However, interviews were also used to gather general information, the current perspective, and the topic of the study. It is essential to focus on the research questions and the objective of the study during the interview session (Verd, 2004).

This section of the study will focus on the analysis of the interview questions. As discussed in Chapter 3, the interview questions were semi-structured and the interview lasted a maximum of 45 minutes. The interview was conducted with proper appointment and permission in order to allow for a detailed discussion of the corporate governance (CG) practices of the company. The data was collected from high-ranking executives of the three chosen companies (the SAMA, Sanabil Investments and SABIC). The data was not recorded in order to maintain privacy. The basic 10 questions were designed to focus on the implementation of CG in the organisation. However, through further discussion, more answers were obtained and noted, which helped in the interview analysis. Additionally, in Chapter 3, it was mentioned that triangulation would be used as a strategy to minimize errors. In this thesis, this is achieved by doing data triangulation. Specifically, the qualitative results obtained from the line head mangers of selected companies is compared to the quantitative data acquired from the staff working in the respective companies.

5.2. Interview Analysis Based on Qualitative Techniques

5.2.1. Structure of the Analysis

Given that a semi-structured form of interview was followed, an interpretative approach to the data analysis was chosen. An interpretive analysis is based on the understanding and the interpretation of the respondents and researcher. The nature of the data is qualitative, and an analysis of the conversation will be used in order to gather the data. The overall analysis will be based on a thematic analysis, in which the data are analysed based on a discussion of similarities and patterns. The use of existing literature will also be also incorporated in this section in order to develop the relationship with the theory and the processes of CG (Creswell, 2009).

The interview questions were based on the pillars of CG, which were transparency, accountability, fairness and responsibility along with related elements of CG which were, shareholder value and policy and procedures; however, these questions were followed by long discussion on the company's practices and overall perspective on CG. The survey was conducted to demonstrate the importance and the most influential pillars and factors of CG that contribute to the success of an organisation. In addition to this, throughout this interview survey the approach of top management officials in Saudi Arabia was also analysed based on understanding of CG rules and regulations.

5.2.2. Limitations of the Interview Survey

The most common limitations of the interview analysis involved time constraints and the availability of respondents. The interviews could take a long time and had the potential to change the direction from centring on the topic to a more general perspective. Another limitation is the lack of recording in this study, due to the sensitivity and privacy concerns of the organisational data (King and Horrocks, 2010).

The limitations were overcome by using the 10 basic questions that formed the core of the interview. Due to the lack of electronic recording, the discussions and points made by respondents were noted on the interview sheet by the interviewer. To gather more information, the questions were kept general. The ethical considerations of the topic were followed by first arranging an appointment, being aware of the time limitations and using the information anonymously. All these steps helped in overcoming the limitations and the ethical issues related to the interview sessions.

5.2.3. Question-Wise Analysis Based on Themes

i. What do you understand by the term corporate governance?

Most respondents showed a good understanding of the definition of CG by recognising its importance as a regulatory authority that helps in establishing good business practices. Most of the interviewees gave a clear idea about CG as a mechanism that controls the transparency and the accountability of the businesses. Two of the respondents from the SABIC Company stated that,

> *"CG is a set of rules and procedures that enables the top management to ensure transparency and accountability for all of its stakeholders" (R1: SABIC, 2016)*

> *"CG relates to the organisational mechanisms for directing the business and its policies to regulate the activities of the organisation." (R2: SABIC, 2016)*

The collected responses show a good relationship with the literature of the study. As discussed in the literature review, CG plays a vital role in defining a firm's compliance with ethical practices and the overall framework of the organisation on the basis of rules and procedures. CG also helps to deliver effective management and legal security to the company with proper conduct and the related regulatory commissions of the state (Calder, 2008).

Based on the collected results, the discussions with the interviewees show a relationship with the literature, giving authenticity to the responses, and a good understanding of CG amongst the top management of the companies. The results also demonstrated good decision-making and strategy planning. Out of the selected interviews, almost all the interviewees responded well on the importance and understanding of CG, which is a good sign from a future-oriented perspective for organisations in Saudi Arabia, as it shows that the top management know their responsibilities and the rules clearly.

ii. Does your company follow the rules and policies of corporate governance responsibly?

All the interviewees showed supportive reactions to this question. However, Sanabil was missing minor details from its reports, such as investment planning, and SABIC was missing the proper corporate structure of the company. This information also plays a vital role in the follow-up of rules and procedures. However, in the case of CG, the three companies were following almost all of the required policies and guidelines. There was also a good deal of information amongst the top management regarding the understanding of CG guidelines. One of the respondents said:

> *"Yes! Our company follows corporate governance as a listed organisation. Along with this, the company has its own rules and procedures related to business governance and corporate management also." (R2: SABIC, 2016)*

However, the responses gathered also related to the literature review in that, at a governmental level, there should be compliance with the policies and regulations of CG in order for the business to excel. CG also regulates the position the company through compliance of rules and regulations so as to maintain the internal stability of the organisation. Along with this CG rule compliance helps in raising the image of the company, which is important in the international market for future investments (Tsamenyi and Uddin, 2008).

Another related response was:

> *"It is essential to follow the rules of corporate governance in order to carry out efficient business practices." (R5: Sanabil, 2016)*

The overall analysis of this question found positive behaviour patterns and compliance with the rules and regulations of CG policies for achieving efficiency in the business. Amongst the 15 interviewees, between 7 and 8 respondents talked in detail about the rules and regulations of the company and how the company is performing on the basis of CG rules.

iii. What is the importance of accountability in corporate governance?

This was a general question in terms of information, but the main reason for including it was to analyse the thoughts of the top managers about their feelings of responsibility regarding CG in the company. The responses showed good understanding of the relationship between accountability and CG, although some responses were confusing in terms of generalisability. However, most responses related accountability to the company image and the promotion of effective decision-making. The literature reveals a slightly different view of accountability, as discussed by Balachandran and Chandrasekaran (2000), who state that accountability is related to the performance of the management along with the responsibility to provide follow-ups based on the pillars of CG. Along with this, accountability also relates to the responsibility of the company to follow the rules of CG. One of the respondents replied to this question in a more rational way:

> *"[Accountability] is highly important in corporate governance on the basis of investment and long-term decision-making for the company" (R2: SABIC, 2016)*

However, some responses were also quite descriptive and very neutral in nature, as they were more related to the behavioural aspects and the overall impact of accountability on CG. The most relevant response of this question was:

> *"Accountability is one of the leading factors of corporate governance, since it develops the sense of responsibility for investments and along with this it helps in promoting a positive image of the company in the market" (R4: SABIC, 2016)*

This response related to the literature-based understanding of CG, whereby accountability assures the responsibility of the individuals towards CG in the light of actions taken by the corporation (Deswarte, et al, 2004). However, the responses on average show moderate understanding of accountability and its relation with CG guidelines. Out of all the interviewees, half of the responses showed a great deal of interest in discussing the importance and the requirements of accountability, whereas others discussed it in less detail and granted it less importance.

iv. How important are shareholders in corporate governance?

The importance of shareholders in CG is very significant in terms of accountability and communication: there is an entire theory dedicated to the importance of shareholders in CG, namely agency theory. This theory focuses on the importance of shareholders in improving the efficiency and performance of businesses from the shareholders' perspective. This is because it is the shareholders who invest in the business and have expectations regarding the business and their investments, so it is essential to take care of the shareholders' interests (Tricker and Tricker, 2012).

Some examples of the responses obtained for this question are as follows:

> *"Shareholders are important based on the investment factor for the company. The management of shareholders is also important via communication and report sharing" (R2: SABIC, 2016)*

During the discussion on CG, one of the respondents said that:

> *"The importance of shareholders is the most focused attribute of corporate governance…"*

(R1: SABIC, 2016).

The responses showed that the value of shareholders is very important in business management and thus also for CG. However, shareholders should be kept informed and updated about the performance of the company and any new decisions made by the company in order to develop a strong relationship with them. Among the fifteen responses, many interview discussions were based on the value of shareholders and its impact on the company’s image and future investments.

v. How would you define transparency?

Transparency is the most important pillar CG and so it plays a vital role in business dealings and operations management. Transparency adds to the accuracy and responsibility of actions and shared information. It also helps in creating a positive image in the eyes of stakeholders. This pillar of CG also ensures that shared information is authentic and true for the company (Mallin, 2012). The responses also showed a great deal of support for the transparency of operations and the proper documentation of organisational work. One member of the survey responded that:

> *“Transparency means showing the true nature of the company, working on the policies and the commissions of the company in order to communicate major projects and the decisions of the company with the stakeholders, and yes! Our company publishes its reports and press releases online in order to maintain transparency” (R2: SABIC, 2016)*

The responses also showed great positivity towards the company publishing its documents online. However, in reality some of the data was still not communicated online enough to create transparency. Likewise, in SABIC the organigram was not updated, so the availability of data was low. Similarly with Sanabil, some data was outdated. However, the SAMA was active in updating its data and responding to market communications: its major reports, including financial and sustainability reports, along with press releases, were available for public viewing. The companies were also observed to be working on improving transparency in order to meet their shareholders’ expectations. One of the responses stated that:

> *"The availability of data and information sharing is transparency, it results in communicating with the stakeholders" (R3: Sanabil, 2016)*

This shows that most of the companies and their employees are dedicated to employing transparency to maintain the company image as well as to retain and attract new shareholders for investments and long-term support management. All interviews show positive response to transparency so as to maintain and sustain accountability and the positive image of the company.

vi. Do you think transparency has a role to play in corporate governance?

Balachandran and Chandrasekaran (2000) have stated that transparency is the major tool of CG operations. This is because it ensures availability and disclosure of data. The disclosure of significant decisions is also important to ensure the accuracy and the authenticity of the organisations' actions. The process of disclosure should be high quality and so high-end audit, accounting, finance, and sustainability reports should be available to stakeholders so as to develop trust and communication . The response of the top managers also supported transparency in CG on the basis of the profits and future returns that might result from effective corporate management based on the rules and regulations of CG. The responses to this question showed similar attributes. One example of the responses is as follows:

> *"Yes, [transparency] helps in building trust on the investment, and it helps in maintaining a positive image of the company" (R2: SABIC, 2016)*

The response showed a great deal of trust in transparency in accordance with the promotion of a positive image of the company, and with the retention and attraction of shareholders based on new investments and the improvement in the profits of the company. The role of transparency and company practices that show transparency were also discussed. Over half the respondents showed a positive reaction and an optimistic approach working on CG-related transparency matters.

vii. Do you think that the board of directors has a role to play in corporate governance?

In large-scale organisations, CG practices were used to safeguard rights of the shareholders and determine duties of the board members. It is the duty and responsibility of the board members to ensure effective decision-making and to keep the shareholders informed. The three large-scale organisations consulted mostly prefer to implement CG rules and regulations to maintain a positive image in the market. Due to the efforts of the World Trade Organisation (WTO), CG has been implemented in the form of frameworks, enabling organisations to carry out duties more clearly and responsibly. The role of board members includes the duty that the directors should be present in all the meetings of an organisation (Solomon, 2011). The response to the interview showed that the board members also value their roles in accordance with CG. One of the responses stated that:

> *"….Positively, because the board of directors serves as the backbone of the company in terms of decision-making and policy development" (R2: SABIC, 2016)*

Another strong response was based on the importance of the board of directors in accordance with CG and business transparency:

> *'Absolutely, the board of directors and CEOs involving the top management are the backbone for every organisation and thus, play a vital role in corporate governance design" (R8: Sanabil, 2016)*

The interview discussions showed that the top management realise their importance in the decision-making process and in compliance with CG rules. However, from the fifteen interviews eight respondents granted high importance to the board of directors with respect to CG, whereas others discussed it as simply an important factor in terms of policy adaptation and decision-making.

viii. What benefits has your company received due to corporate governance?

This question was important in order to understand the application of CG practices in the country. It was discussed in the literature review that good CG can improve the reputation of a company by publicising it as conforming to rules and regulation and following government policies (McDonnell et al., 2001). However, CG also reduces conflicts and fraud in the market because of easy availability of information about companies. The benefits of CG were also supported by the responses. Almost all respondents agreed on the importance of CG and responded positively to this question. One respondent gave this list of CG benefits to the company:

> *"Positive image in the market, better investment plans, and easy expansion based on corporate stability and communication" (R2: SABIC, 2016)*

Similarly, most respondents mentioned the positive corporate image that results from good CG. Most respondents also highlighted the improved reputation of the company obtained through following the policies and codes of CG:

> *"New investments and a positive image of the company" (R9: SABIC, 2016)*

The benefits of good CG that these companies experienced involved more investments, an increase in shareholders and a positive market image based on compliance with CG rules and procedures.

ix. Are you facing any issues regarding the implementation of corporate governance codes and policies?

The OECD controls the codes and rules of CG in Saudi Arabia, but they must also be understood and followed by the companies themselves. If a company fails to follow the rules and regulations as directed, then there are institutions or regulatory authorities that bring the company back on track by identifying the needed policies and procedures. If the company cannot change its policies, then the OECD excludes the company and divests investments made by the company. There are also regulatory bodies that exclude any companies that violate human rights. Along with this, the proper rules and regulations of CG in businesses provide suitable business functions based on legal grounds (Tsamenyi and Uddin, 2008). Therefore, this question was formulated based on evidence in the literature. The responses showed that large organisations have many issues in complying with rules and regulations. Theoretically, policies provide a lot of support to a business, but a great deal of effort and much documentation is required for the proper implementation of CG standards.

> *"Government support in policy adaptations and the rules regarding transparency are tough to adapt based on the chain of command and market speculations" (R2: SABIC, 2016)*

Another response concerning the importance of the policies and codes of CG was:

> *"Legal issues based on policies and procedures are often faced by the company in terms of CG issues" (R3: Sanabil, 2016)*

The response confirmed many issues rising from legal and governmental standpoints. However, some reported that the policies are too strict for corporate alliances such as the rule of transparency. Most interviewees said that total corporate transparency is not good for the company, as it publicises all the information about the company and makes it vulnerable to threats and competition (Doh and Stumpf, 2005). False reports could also occur from this that could hurt the image of the company. Therefore, it was recommended by many interviewees that government should be lenient in terms of CG policies with large-scale organisations, as large-scale organisations provide extensive profits to the country.

x. Do you have any comments on the state of corporate governance or on the global impact of corporate governance?

Since the global participation in and importance of CG was discussed in the literature, this question was required for further analysis of management perspectives. Overall global CG focuses on the importance of transparency and shareholder value as discussed by Kakabadse, Rozuel and Lee-Davies (2005), while communication plays a vital role in securing business from international clients and to expand business internationally. Government support and legal reforms are required in order for firms to enter the international market (Hussain, 2013). However, top management of the companies examined in Saudi Arabia think that the country is lagging behind surrounding Gulf countries and so Saudi Arabia must be more responsive and supportive regarding CG standards. However, the literature suggests that Saudi Arabia is average in terms of global CG. The interviewee responses also showed that the top management of the companies feel the country must invest more in business activities and companies to prosper in the future. One of the responses was:

> *"Saudi Arabia needs to still work harder in order to gain the trust of other countries for investment. However, internally the adoption of CG has shown great improvement over the past few decades. However, there is still need of more research in this area in order to explore its advantages and business-related implications" (R2: SABIC, 2016)*

Another response regarding the knowledge of global CG in Saudi Arabia was:

> *"Saudi Arabia needs to focus on industries other than the oil industry in order to develop the infrastructure and the progress of the country globally based on business expansions and CG adaptation" (R10: SABIC, 2016)*

The response shows that companies want to invest more and to do that top management requires more opportunities and room for success in the country. However, from the fifteen interviews, seven respondents were optimistic and gave high significance to the global impact of CG in terms of the performance of Saudi Arabia, while few gave a negative response to global CG perspective.

5.2.4. Summary of Thematic Analysis

The overall conclusion of the interview analysis was that respondents were aware of CG practices and rules and regulations, but responses were quite general in nature, so the discussion showed a neutral perspective towards the application of CG practices. Since the questions were based on the pillars of CG such as responsibility, transparency, fairness, along with corporate governance elements such as board of directors and compliance with rules and regulations, these elements also served as major themes of the survey. In accordance with these themes, the 15 respondents put primary emphasis on the roles of transparency and responsibility and then on that of the board of directors. However, the transparency of information about the company and its decisions seemed less well communicated than indicated by the emphasis given to it in the interviews.

Table 5: Thematic Analysis of the Interviews Based on the Importance of Themes

	Themes							
Respondents	**Accountability**	**Transparency**	**Board of Directors**	**Fairness**	**Compliance with rules and regulations**	**Shareholders**	**Corporate image**	**Global impact of corporate governance**
R1	Highly important	Moderate	Important	Important	Important	Highly important	Important	Important
R2	Highly important	Highly important	Highly important	Highly important	Highly important	Highly important	Highly important	Highly important
R3	Moderate	Important	Important	Moderate	Moderate	Highly important	Important	Moderate
R4	Moderate	Highly important	important	Moderate	Moderate	Highly important	Important	Moderate
R5	Moderate	Highly important	Important	Moderate	Highly important	Highly important	Highly important	Moderate
R6	Highly important	Highly important	Important	Highly important	Highly important	Important	Highly important	Moderate
R7	Moderate	Important	Important	Highly important	Important	Important	Important	Important
R8	Moderate	Important	Moderate	Highly important	Highly important	Highly important	Highly important	Important
R9	Highly important	Highly important	Highly important	Not discussed	Highly important	Highly important	Highly important	Important
R10	Moderate	Moderate	Highly important	Highly important	Highly important	Important	Important	Moderate
R11	Moderate	Moderate	Highly important	Highly important	Highly important	Important	Important	Important
R12	Highly important	Highly important	Important	Important	Highly important	Highly important	Important	Important
R13	Highly important	Highly important	Important	Important	Highly important	Important	Highly important	Highly important
R14	Highly important	Highly important	Important	Important	Important	Important	Important	Important
R15	Important	Important	Important	Important	Important	Important	Important	Important

Source: (Self-generated Table for Thematic Analysis)

The preceding table gives the coding of the thematic analysis, where respondents are defined in rows, the survey themes in columns and responses noted based on the conversation and discussion of the themes. The responses varied from highly discussed to rarely discussed in accordance with the topic and the pillars of CG. The most discussed theme of basis of importance in the discussion is noted as ‘highly important’, whereas less discussed themes are noted as ‘moderate’. Frequently discussed themes that did not constitute the most discussed element are coded as ‘important’.

The data is also supported by the literature along with the responses to the discussions. The whole interview was based purely on the discussion and the conversation regarding CG. Notes were taken on the basis of special comments. The most discussed and emphasised themes were transparency and rules and regulations, followed by the importance of shareholders and accountability. Other factors such as fairness, corporate image and the global impact of CG also formed part of the discussion based on the interview questions, but they were amongst the factors that were discussed least and therefore given a lower importance level.

This interview survey also relates to the literature analysis of the study, where shareholder value and transparency were the dominant factors of CG along with accountability and the involvement of the board of directors. Therefore, the three organisations should focus on these factors in order to gain a competitive advantage and maintain a positive image in the industry. The findings of the secondary data analysis section would be helpful in generalising the stance of the organisation and the overall perspective of CG in the views of the top management of the companies studied.

5.2.5. Summary of Interview Analysis

This chapter has focused on the detailed interview analysis of the study. Interviews were based on overall discussion and conversation without recording, but the important notes and the principal responses of the respondents were recorded in written form in order to analyse the study results through thematic analyses. Thematic analysis is widely used in qualitative studies to identify and relate the pattern of the interviews with the literature. The questions of the interview were semi-structured and the topic of CG in Saudi Arabia was discussed. The interview was arranged by appointment and at the end respondent was thanked for taking the time to complete the survey.

The qualitative analysis helps in understanding the data. This interview study was first based on the interpretive analysis, in which each question of the study was analysed separately based on the literature background and the basis of the question. Next, a thematic analysis on the importance of the discussion was conducted, in which the themes discussed in the interview were coded on the basis of their level of importance in the discussion. The more a factor was discussed and emphasised, the higher the level of importance it was granted. The basic aim of conducting these analyses was to understand the general views of the top management on CG in Saudi Arabia. The interview showed successful results and the response rate was good. However, the results of the survey showed a great deal of data dependency on the discussion and the generalisability of the topic. The data analysis showed that the understanding of CG was strong in the top management.

The interview sessions also revealed that the top management staffs are enthusiastic about the progress of the country. However, they also want the country to prosper in all areas, as discussed in the global CG question, where most of the responses were positive in terms of the global efforts that Saudi Arabia needs to take in order to provide effective CG to its businesses. The responses also supported communication in order to undertake international investments and business expansions. The involvement of the shareholders and the board of directors was also highlighted in these interview sessions, and all the respondents agreed the importance of shareholders along with board of directors in helping to implement the rules and policies of CG. The issues related to the application of CG in the business practices, along with the best practices of the company, were also shared by the respondents, which also supported the overall theme of the interviews. With the help of all the questions and discussions, the role of CG in the success and the legal protection of the businesses was understood clearly. In addition to this, the global need for and perspectives on CG were also highlighted through this study's interview survey analyses.

5.3. Questionnaire Analysis Based on Quantitative Techniques

5.3.1. Structure of the Analysis

The quantitative data was gathered from large-scale Saudi Arabian organisations. A total of four organisations were selected: SABIC, Al Baik, Saudi Aramco and Almarai. Since SABIC has been already discussed above, Al Baik is the most popular chain of quick service restaurants in Saudi Arabia (www.albaik.com, 2016). Saudi Aramco is the state-owned oil company of the Saudi Arabia; it is one of the leading companies in hydrocarbons explorations, production, distribution, refining and transportation (www. Saudiaramco.com, 2016). Almarai is one of the most famous dairy firms along with one of the largest vertically integrated dairy company, Almarai products are highly recognised all over UAE and even internationally (www.almarai.com, 2016). These companies were chosen because they are leading companies of Saudi Arabia and well-known for their corporate governance rules compliance. Twenty-five respondents were selected from each organisation. Respondents were given statements about the application of CG in their organisation. The questionnaire used a seven-point Likert scale. In the descriptive frequency analysis, the response of overall 'disagree', 'neutral' and 'agree' values were calculated and interpreted. To test the research hypothesis, a statistical analysis was also performed. The statistical tests applied were multiple regression analysis, Pearson correlation analysis, reliability analysis and factor analysis.

5.3.2. Limitations of the Questionnaire Survey

As discussed earlier, to gather a large amount data from the population, a questionnaire survey was conducted. There were several limitations to gathering responses during the survey, related to data collection and its compilation, as follows:

- The population of the study were personnel from large-scale organisations mainly at top- and middle-management levels. The involvement of top management in data collection was not spontaneous. Due to time limitations and availability, several limitations were faced. Not all managers contacted were willing to participate and not all managers at the top level responded because of security issues and concerns. This was the main limitation.

- The fact that the primary respondents were executives and managers was also a major limitation, as they were difficult to approach.
- The limitations from the participants' perspective were the pool of options given to them. These options were limited, which narrowed down the focus within the questionnaire and also helped to maintain the authenticity of the data gathered.
- Principle component analysis (PCA) and regression analysis were applied to the data as the major tests in order to obtain results, because these methods are easier for non-experts to read and understand. So, to maintain uncomplicated and straightforward findings, easier methods were adopted as the tools of analysis. However, other analytical approaches and techniques could have been used, such as confirmatory factor analysis, cluster analysis etc.

Due to limitations on sample size, non-probability methods for sampling were used.

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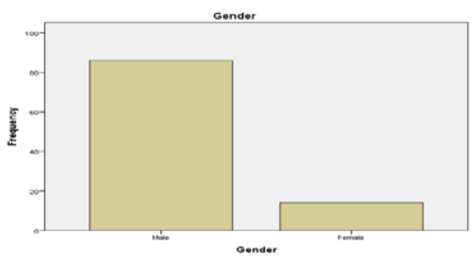
5.3.3. Descriptive Frequencies of Questionnaire Statements

i. Frequencies of demographics data

Question #1

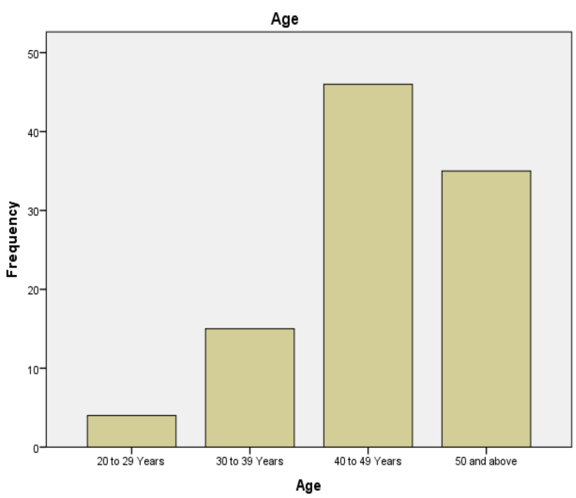
Figure 8: Gender of respondents



This graph reveals the data gathered from the questionnaire related to the gender of participants. From the above graph it is revealed that 86% of respondents were male and the remaining 14% were female.

Question #2

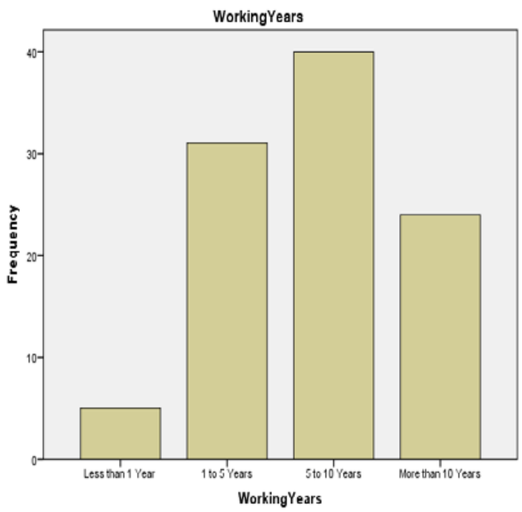
Figure 9: Age of respondents



This graph shows the data gathered from the questionnaire related to the age of respondents. The graph shows that 46% of respondents belong from the age bracket of 40 to 49 years. 35% of respondents belong to the age bracket of 50 and above, 15% of respondents belong to the age bracket of 30 to 39 years, and the remaining 4% of respondents to the age bracket of 20 to 29 years.

Question #3

Figure 10: Working years



This graph shows the data gathered from the question related to the number of years that respondents have worked at their company. The graph indicates that the majority of the respondents 40% have been in the company for 5 to 10 years. 31% of the respondents have been in the company for 1 to 5 years. 24% of the respondents have been in the company for more than 10 years and the remaining 5% of respondents have been in the company for less than one year.

ii. Frequencies of Closed-ended data

Statement #1

Figure 11: The organisation is controlled by rules and regulations

This graph shows the data gathered from the dependent variable regarding CG. In the above statement, participants were asked about rules and regulations that help in operating the business. The respondents were asked how far they agreed with the statement. The graph shows that 42% of the respondents disagreed with the statement, 32% were neutral and the remaining 26% agreed with the statement. Those that disagreed believe that the organisation do not follow rules and regulations properly. However, those that agreed justify the study of Zu (2008), revealing that the rules and regulations followed by the company help in following best CG practices. Therefore, in concluding this statement it has been noted that majority respondents were disagreed and believe that their organisation is not controlled by rules and regulations, which results in ineffective governance.

Statement#2

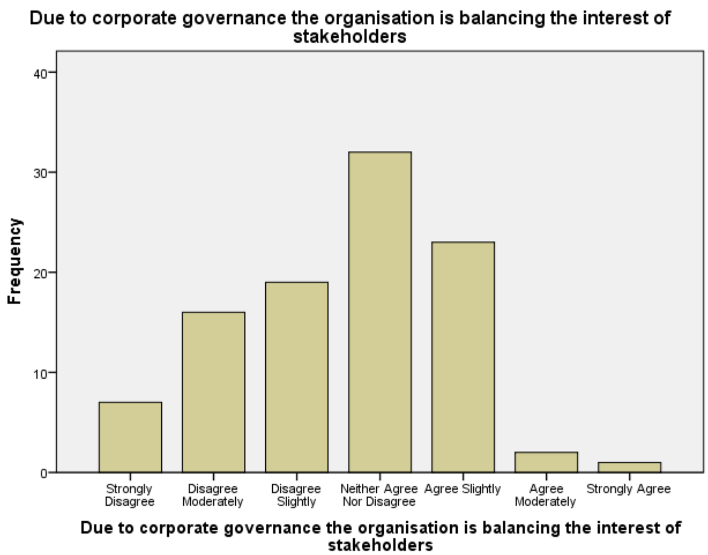


Figure 12: Due to corporate governance the organisation is balancing the interests of stakeholders

This graph reveals the data gathered from the statement related to the CG practices adopted by organization that help to balance the interests of stakeholders. In the literature it was shown that the companies using CG principles are able to balance the interests of stakeholders. This graph shows that 52% of respondents disagreed with the statement, 32% neither agreed nor disagreed, and the remaining 26% of respondents agreed with the statement. The participants who disagreed believe that due to ineffective CG practices the company is unable to balance the interest of its stakeholders. However, those that agreed with the statement believe that based on effective CG practices the company is able to balance the interests of stakeholders (Heracleous, 2001). In concluding this statement, most respondents disagreed because the organisation was unable to balance the interests of stakeholders; thus it mean that they should improve the CG practices to balance the interest of stakeholders.

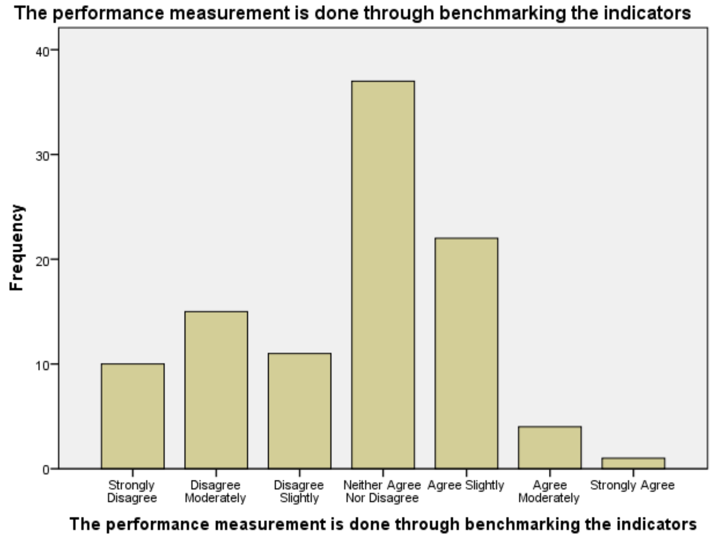
Statement#3

Figure 13: Company objectives are achieved based on standardised guidelines

This graph reveals the data gathered from the statement as to whether the objectives of the company are achieved through presenting standardised guidelines. The literature suggests that companies need to implement their objectives based on ethical guidelines. This graph shows that 38% of respondents disagreed with the statement, 32% of respondents neither agreed nor disagreed, and the remaining 30% of respondents agreed. Those that disagreed believe that the company do not follow standardized practices due to which the objectives are not achieved in smart manner. Hence, as suggested by Heracleous (2001), in effective CG the companies are obliged to follow standardized practices, so that they can achieve business objective.

Statement#4

Figure 14: Performance measurements are achieved through benchmarking the indicators



This graph shows the data gathered from the statement as to whether performance measurements are achieved through benchmarking the indicators. This statement was designed to find out how company performance is measured by management. The graph reveals that 36% of respondents disagreed with the statement, 37% of respondents neither agreed nor disagreed, and the remaining 27% of respondents agreed. Those that disagreed believe that the performance measurement in the company is not done through benchmarking the indicators, which results in CG ineffectiveness. Therefore, as suggested by Zu (2008) in the literature, the companies must benchmark key performance indicators in order to measure it past and current performance and make the CG effective.

Statement#5

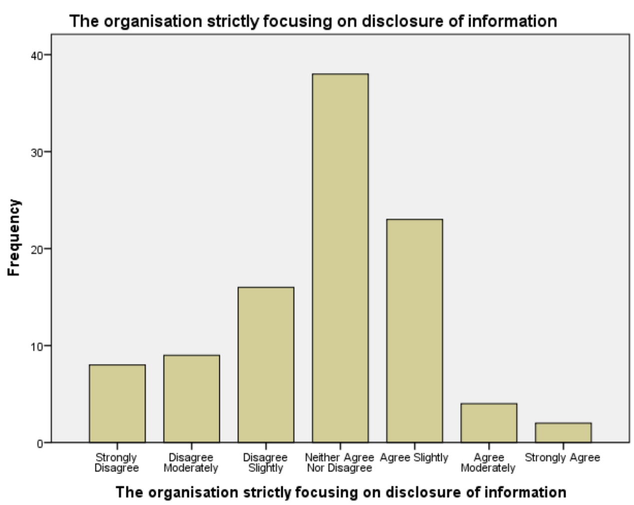


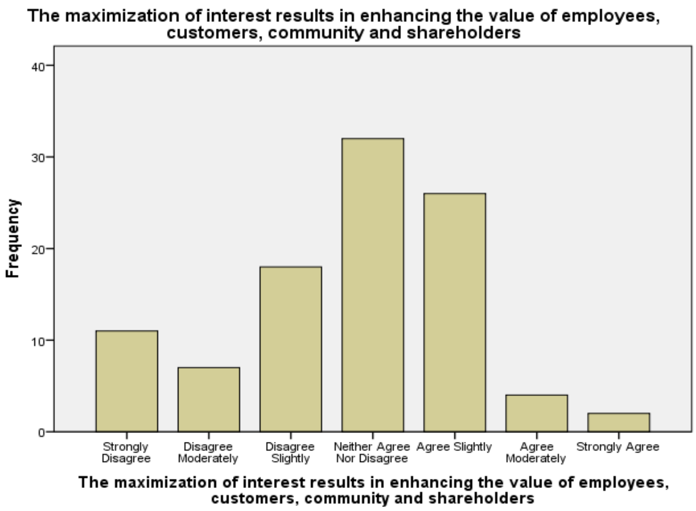
Figure 15: The organisation focuses strictly on the disclosure of information

This graph shows data gathered from the statement concerning organizational policy on information disclosure. The literature suggests that information disclosure is a key element in CG. The data shows that 33% of respondents disagreed with the statement, 38% respondents neither agreed nor disagreed, and the remaining 29% of respondents agreed. The majority of respondents disagreed and they believe that their company does not focuses on disclosure of information. Therefore, as suggested by Davies (2012), organisations should disclose their information to gain the trust of stakeholders.

Valuing Stakeholders

Statement #6

Figure 16: The maximization of interest results in enhancing the value of employees, customers, the community and shareholders

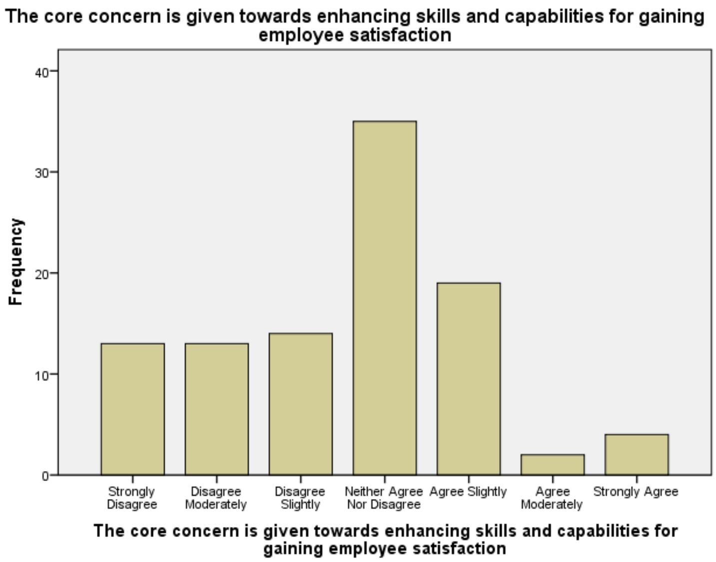


This graph shows the data gathered from the statement related to maximization of interest. The literature indicates that the maximization of stakeholder interest helps in valuing the internal and external customers of the business. This graph shows that 33% of respondents disagreed with the statement, 38% of neither agreed nor disagreed, and the remaining 29% of respondents agreed. Those that disagreed believe that their organisation does not focuses on maximization of interest, resulting in decreasing the value of stakeholders. Hence, as suggested by Fernando (2010) for effective CG the organisations should focus on maximization of interest as it results in enhancing the value of community, customer, employees and shareholders.

Statement #7

Figure 17: The core concern is given towards enhancing skills and capabilities in order to ensure employee satisfaction

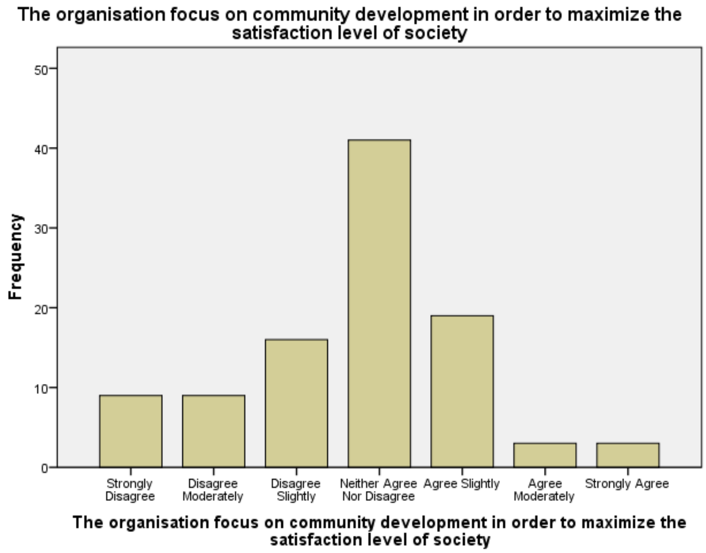
This graph shows the data gathered from the statement on the core concern of the company towards enhancing the capabilities of its employees in order to gain their satisfaction. The literature suggests that companies use various programs to enhance the capabilities and



skills of its employees. The data shows that 40% of respondents disagreed with the statement, 35% of respondents neither agreed nor disagreed, and the remaining 26% of respondents agreed. Those that disagreed believe that their company is unable to satisfy its employees, which negatively influences the employee performance. Hence, as suggested by Fernando (2010) it is recommended that organisations must focus on employee satisfaction to enhance their skills and capabilities.

Statement #8

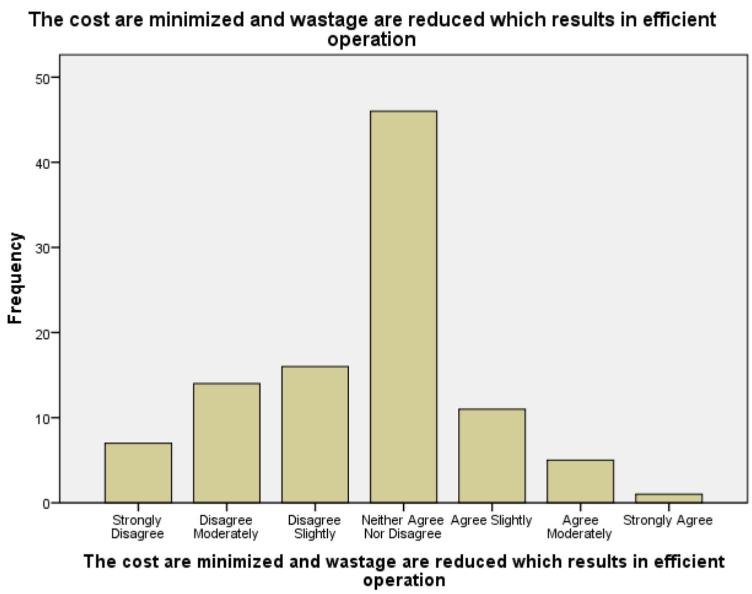
Figure 18: The organisation focuses on community development in order to maximize the satisfaction level of society



This graph reveals the data gathered from the statement related to community development. The literature suggests that organizations should focus on community development, to gain the satisfaction of society. This data shows that 34% of respondents disagreed with the statement, 41% neither agreed nor disagreed, and the remaining 25% agreed. Those that disagreed believe that their organisation do not focus on community development, resulting in dissatisfaction. Therefore, as suggested by Tricker and Tricker (2012) it is recommended that for effective CG practices, organisations must focus on community development in order to maximize the satisfaction level of society.

Statement#9

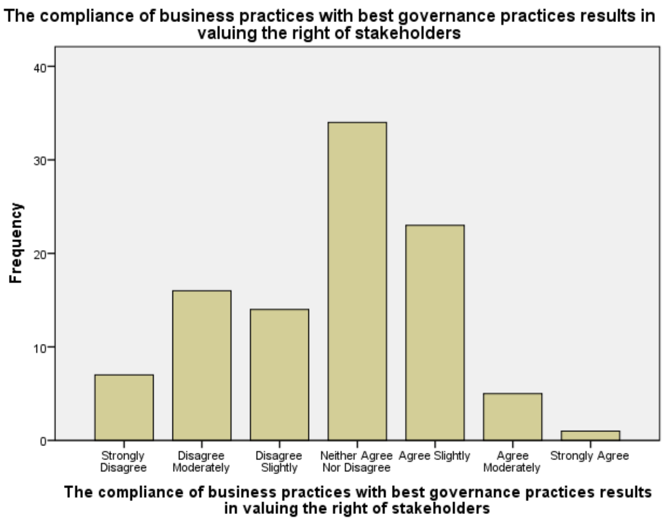
Figure 19: Costs are minimized and wastage is reduced, which results in a more efficient operation



This graph shows the data gathered from the statement related to waste reduction and the minimization of costs. The literature indicates that in good CG practices, companies must focus on reducing wastage and minimizing extra costs. Based on this, the graph shows that 37% of respondents disagreed with the statement, 46% neither agreed nor disagreed, and the remaining 17% of respondents agreed. Those that disagreed believe that because the company is unable to reduce wastage and minimize cost, the company experiences operational inefficiency. Hence, as suggested by Tricker and Tricker (2012) it is suggests that for good CG practices, the company must focus on cost minimization and waste reduction.

Statement#10

Figure 20: The compliance of business practices with best governance practices results in valuing the rights of stakeholders

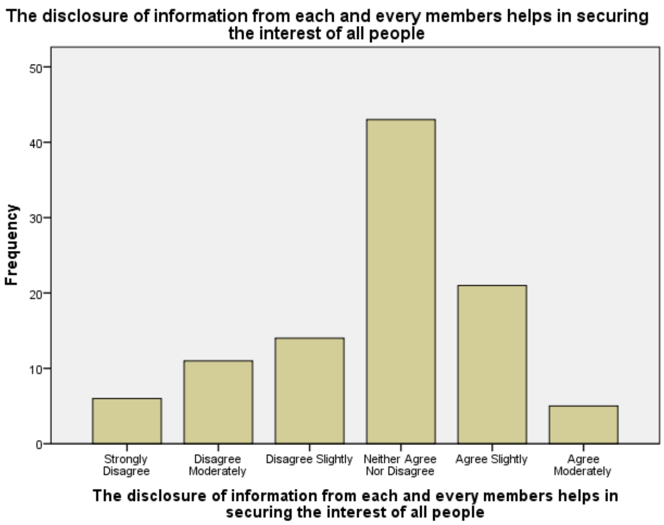


This graph reveals the data gathered from the statement on compliance of business practices with governance polices. The literature states that the companies that integrate business practices with good governance policies are able to value the rights of stakeholders. Based on this the data shows that 37% of respondents disagreed with the statement, 34% neither agreed nor disagreed, and the remaining 29% of respondents agreed. Those that disagreed believe that their company cannot comply with business and governance practices, resulting in devaluing stakeholders. Hence, as presented by Tricker and Tricker (2012) companies should comply with CG practices because it results in enhancing the value.

Securing Stakeholder Interest

Statement #11

Figure 21: The disclosure of information from each and every member helps to secure the interest of all people



This graph shows the data gathered from the statement on the interest of stakeholders secured by the company. The literature suggests that disclosure of information to every member of an organisation helps in securing the interest of all stakeholders. This graph shows that 31% of respondents disagreed with the statement, 43% of respondents neither agreed nor disagreed, and the remaining 26% of respondents agreed. Those that disagreed believe that board members are not disclosing their information, which negatively influences overall CG practices. Hence, as suggested by Grant (2008) and it is recommended that companies must disclosure the information because it helps in protecting the right of every member in the organisation and following effective CG practices.

Statement #12

Figure 22: The organisation follows fair practices

This graph shows data gathered from the statement on fair practices adopted by the organisation. The literature indicates that in CG organisations need to follow fair and honest practices. This data shows that 40% of respondents disagreed with the statement, 38% neither agreed nor disagreed, and the remaining 22% of respondents agreed. Those that disagreed believe their organisation does not follow fair practices, which results in poor CG. Hence, as recommended by Grant (2008) it is suggested that in order to follow good CG practices and build positive image of business the organisation needs to follow fair practices.

Statement #13

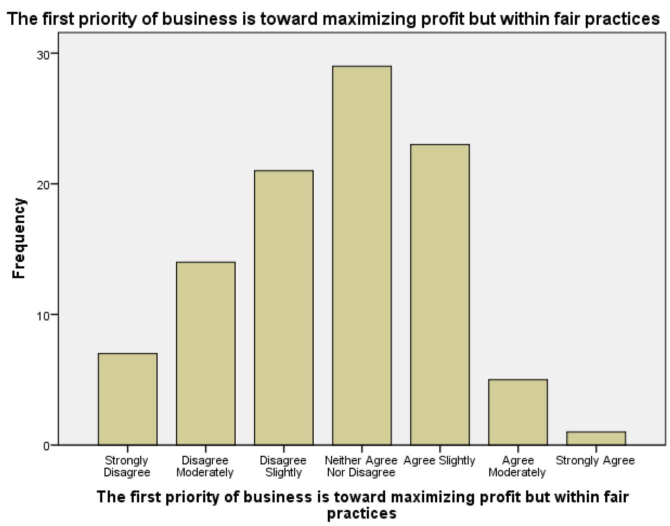
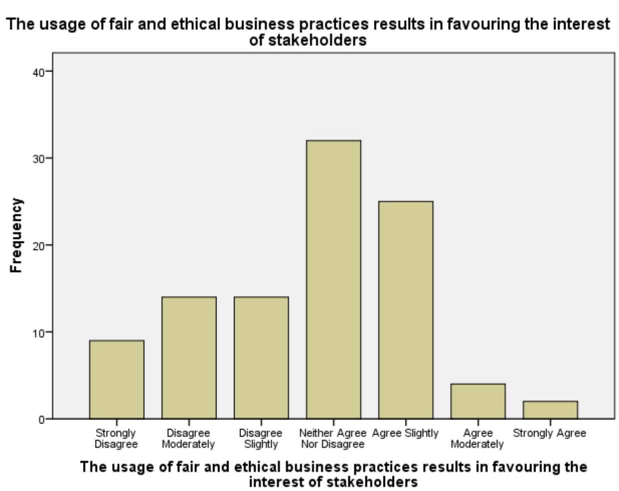


Figure 23: The first priority of business is toward maximizing profit, but within fair practices

This graph shows the data gathered from the statement related to the first priority of business toward maximizing profits. The literature states that in good CG an organisation must maximize profits based on fair practices. This graph shows that 42% of respondents disagreed with the statement, 29% neither agreed nor disagreed, and the remaining 29% of respondents agreed. Those that disagreed believe that their organisation is maximizing profit but less concern is given towards fair practices which results in poor CG. Hence, as suggested by Grant (2008), it is recommended that organisations needs to maximize profits based on fair practices.

Statement#14

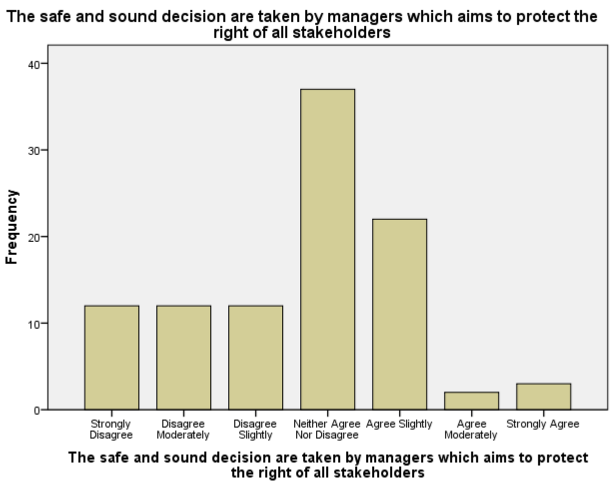
Figure 24: The usage of fair and ethical business practices results in favouring the interests of stakeholders



This graph shows the data gathered from the statement related to the usage of fair and ethical practices. The literature concludes that fair practices result in favouring the rights of stakeholders. This graph shows that 37% of respondents disagreed with the statement, 32% neither agreed nor disagreed and the remaining 31% agreed. Those that disagreed believe that their organisation does not use ethical business practices, which favour of stakeholders. Hence, as suggested by Grant (2008), for effective CG organisations must use of fair practices, which favour the rights of stakeholders.

Statement#15

Figure 25: Safe and sound decisions are taken by managers, which aim to protect the rights of all stakeholders

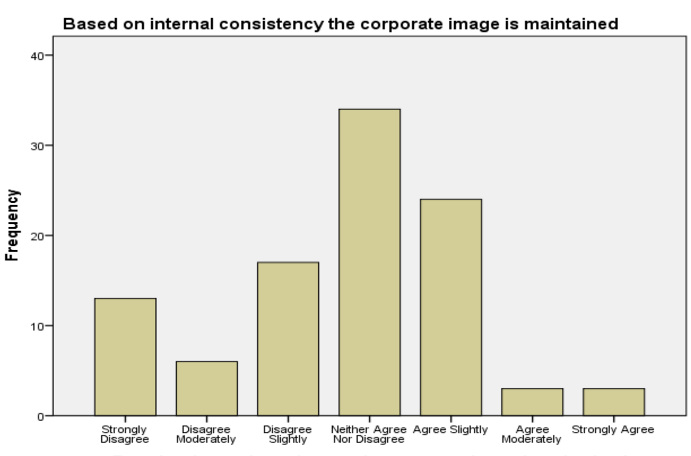


The above graph shows data gathered from the statement related to the safe and sound decisions taken by the management. The literature indicates that in good CG practices, the decisions taken by the management must be safe. This data shows that 36% of respondents disagreed, 37% of respondents neither agreed nor disagreed, and the remaining 27% of respondents agreed. Those that disagreed believe that their organisation is unable to protect the rights of stakeholders while making decisions, which results in poor CG. Hence, as suggested by Doh and Stumpf (2005) organisations should make safe and sound decisions as it results in protecting rights of stakeholders.

Maintenance of Corporate Image

Statement # 16

Figure 26: Corporate image is maintained by internal consistency



This graph shows the data gathered from

the statement related to internal consistency. The literature suggests that internal consistency within business operation results in gaining a strong corporate position. This data reveals that 36% of respondents disagreed with the statement, 34% neither agreed nor disagreed, and the remaining 30% of respondents agreed. Those that disagreed believe the company is unable to focus on internal consistency, which decreases the image of business. Hence, as suggested by Alnatheer and Nelson (2009) organisations should maintain internal consistency as it influences corporate image.

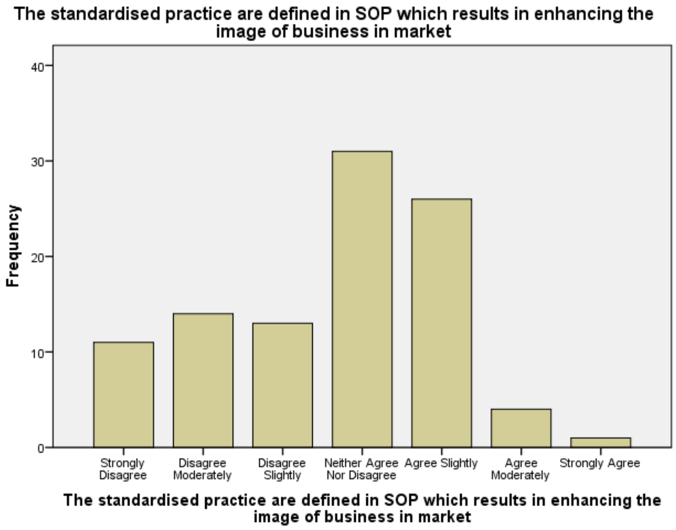
Statement # 17

Figure 27: The organisation follows ethical guiding practices in order to gain strong market shares

This graph shows the data gathered from the statement related to following ethical guidelines. The literature indicates that organisations must follow ethical guidelines, so that they can gain a strong market position. The graph shows that 32% of respondents disagreed with the statement, 29% neither agreed nor disagreed and the remaining 29% of respondents agreed. Hence, as suggested by Alnatheer and Nelson (2009) and it recommended that the organisation must follow ethical guidelines in order to gain a strong market position. It is perhaps striking that the opinion that ethical guiding principles do not exist only for market share gain is so strong, and it is possible that this reflects a religious belief amongst the sample. For ethical reasons, the crossover between religious duties of stewardship to the environment etc and company decisions were not examined.

Statement # 18

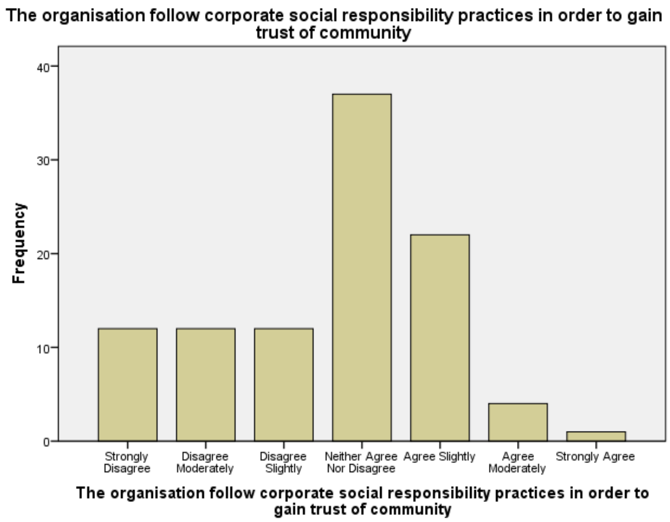
Figure 28: Standardised practices are defined by standard operating procedures (SOPs), which result in enhancing the business' image in the market



This graph shows the data gathered from the statement related to standardised practices. The literature suggests that organisations need to define all their practices in SOPs to improve the management of their business, which is fulfils CG requirements. The data shows that 38% of respondents disagreed with the statement, 31% neither agreed nor disagreed, and the remaining 31% agreed. Hence, as suggested by Al-Hussain (2009) it is recommended that the company operate on defined practices to enhance business image.

Statement # 19

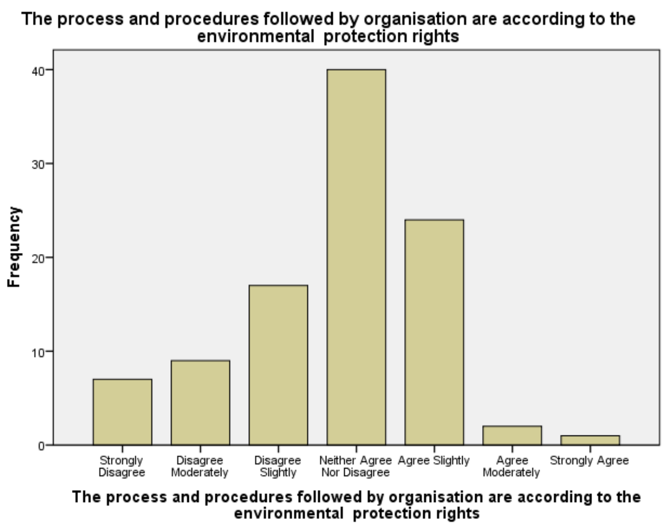
Figure 29: The organisation follows corporate social responsibility practices in order to gain the trust of the community



This graph shows the data gathered from the statement related to corporate social responsibility (CSR) practices fulfilled by organisation in order to gain the trust of its employees. The literature indicates that the companies that on CSR practices are able to follow CG principles. The data shows that 36% of respondents disagreed with the statement, 37% neither agreed nor disagreed, and the remaining 27% agreed. Hence, as suggested by Al-Hussain (2009) it is recommended that organisations need to follow CSR practices.

Statement #20

Figure 30: The processes and procedures followed by the organisation are in accordance with environmental protection rights



This graph shows data gathered from the statement on the processes and procedures followed by organisation to ensure environmental protection. The literature suggests that to comply with CG regulations, organisations must protect the environment while operating their business. This data shows that 33% of respondents disagreed with the statement, 40% neither agreed nor disagreed and the remaining 27% agreed. Those that disagreed believe that their organisation does not follow environmental protection rights, resulting in poor CG. Hence, as suggested by Jeffreys (2010) it is recommended that organisation must follow environmental protection acts in order to focus on environmental sustainability based on effective CG.

Delegation of Power

Statement # 21

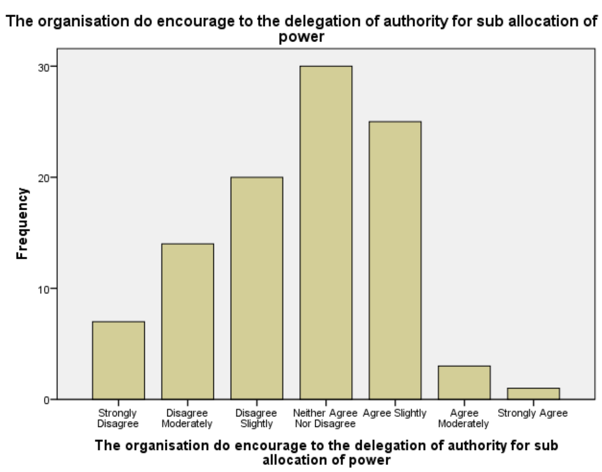
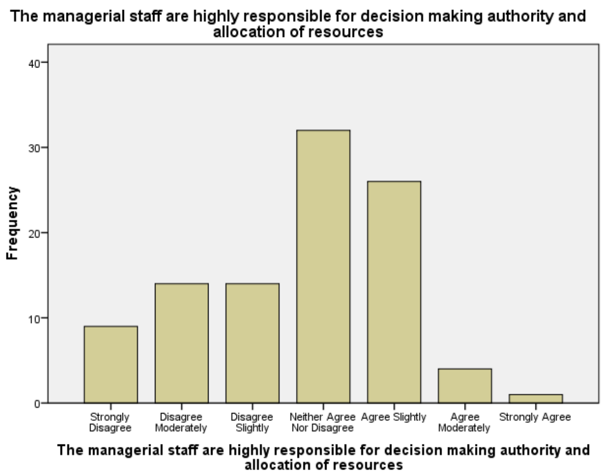


Figure 31: The organisation encourages the delegation of authority for the sub-allocation of power

This graph shows the data gathered from the statement on delegation of authority. The literature indicates that authority must be delegated to enhance performance of an organisation's employees. This graph shows that 51% of respondents disagreed with the statement, 30% neither agreed nor disagreed, and the remaining 29% of respondents agreed. Hence, as suggested by Jeffreys (2010) authority should be delegated.

Statement # 22

Figure 32: The managerial staff are highly responsible for decision-making and for the allocation of resources



This graph shows data gathered from the statement on the roles of managerial staff. The literature suggests that the managerial staff must be responsible, so that they can make decisions that are beneficial for the company. The data shows that 37% of respondents disagreed with the statement, 30% neither agreed nor disagreed, and the remaining 29% agreed. This illustrates the study published by Safieddine (2009) and shows that the managerial staff must be accountable, so they can allocate resources efficiently.

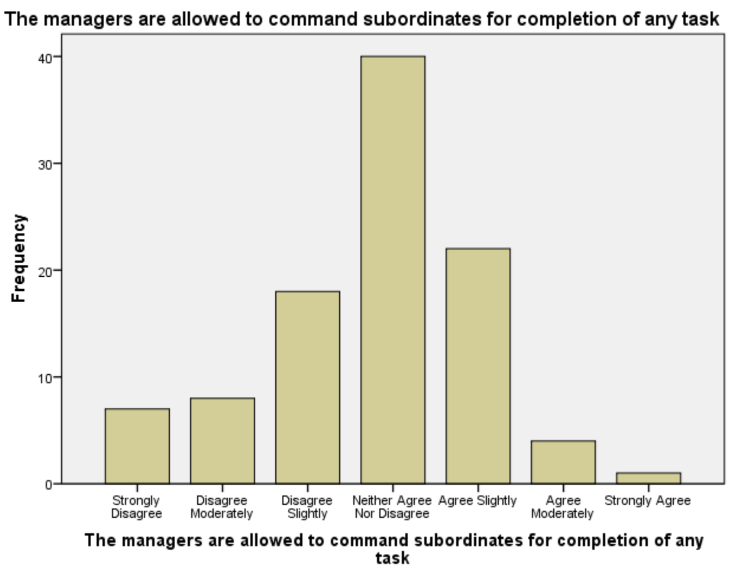
Statement # 23

Figure 33: The duties and responsibilities of each member of the organisation is well-defined in their job description

This graph shows the data gathered from the statement on duties and responsibilities of members of the organisation. The literature suggests that the organisation must properly define all duties and responsibilities of employees. This data shows that 35% of respondents disagreed with the statement, 38% neither agreed nor disagreed, and the remaining 27% agreed. This proves the study presented by Safieddine (2009) and suggests that all duties and responsibilities must be well-defined.

Statement # 24

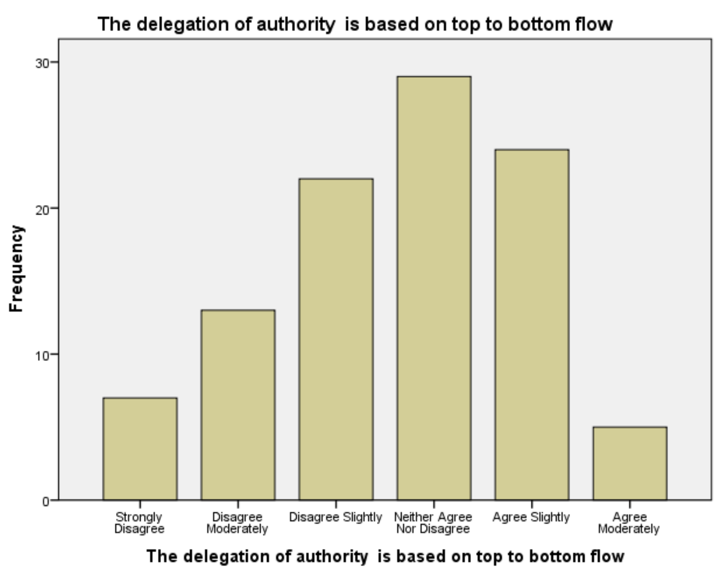
Figure 34: The managers are allowed to command subordinates for the completion of any task



This graph shows the data gathered from the statement on commands given by managers to their subordinates. The literature indicates that delegation of power or authority helps in sharing work mutually. This graph shows that 33% of respondents disagreed with the statement, 40% neither agreed nor disagreed, and the remaining 28% agreed. Those that disagreed believe that managers are not allowed to command subordinates in organisation, which results in poor operational efficiency. Hence, as published by Al-Matari, Al-Swidi, and Fadzil (2012) it is suggests that sharing work enhances productivity.

Statement # 25

Figure 35: The delegation of authority is based on top to bottom flow



This graph shows the data gathered from the statement on delegation of authority, which is based on top to bottom flow. The literature suggests that the delegation of authority is always top to bottom. The data shows that 42% of respondents disagreed with the statement, 29% of respondents neither agreed nor disagreed, and the remaining 29% of respondents agreed. The study published by Al-Hussain (2013) suggests that the delegation of authority must be top to bottom.

Avoidance of Conflict Issues

Statement # 26

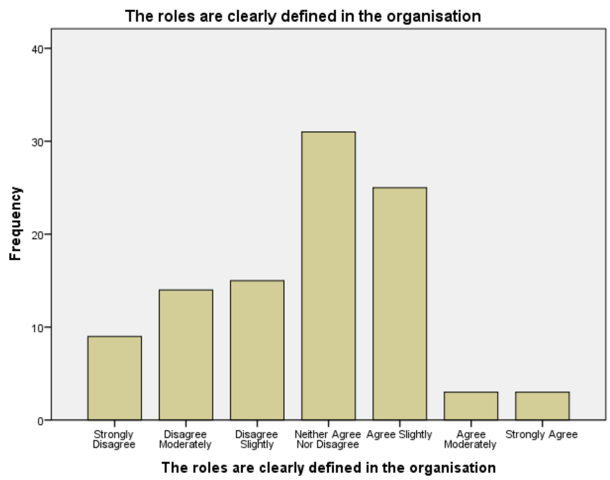


Figure 36: The roles in the organisation are clearly defined

This graph shows the data gathered from the statement on clear definition of roles by the organisation. The literature suggests that, in effective CG practices, the organisation is asked to share their goals, practices and objectives clearly. This data shows that 38% of respondents disagreed with the statement, 31% neither agreed nor disagreed, and the remaining 31% of respondents agreed. Those that disagreed believe that the organisation is unable to define roles clearly which results in ambiguity. The study published by Al-Hussain (2013) suggests that the roles must be defined clearly for effective CG.

Statement # 27

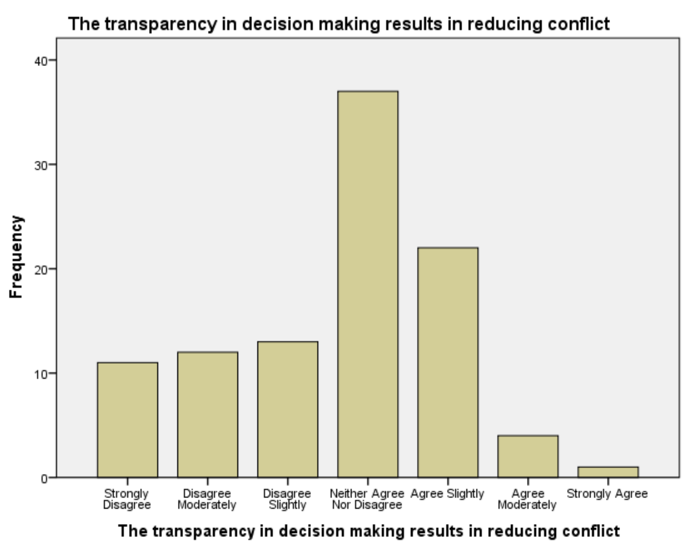


Figure 37: Transparency in decision-making results in reducing conflict

This graph shows the data gathered from the statement on decision-making, which results in reducing conflicts. The literature suggests that transparency in decision-making helps reduce conflicts among team members, leading to efficient CG practices. This graph shows that 36% of respondents disagreed with the statement, 37% neither agreed nor disagreed, and the remaining 27% of respondents agreed. The study published by Alnatheer and Nelson (2009) suggest that transparency in decision-making results in reducing conflicts.

Statement # 28

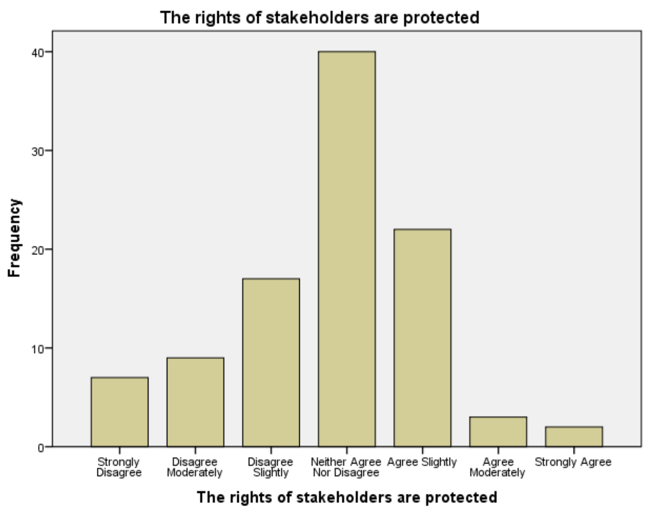
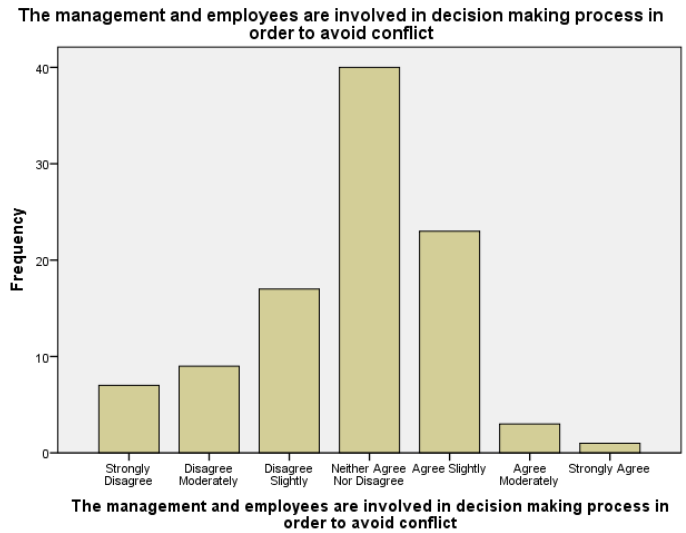


Figure 38: The rights of stakeholders are protected

This graph shows the data gathered from the statement on stakeholders' rights. The literature suggests that in efficient CG practices the company must protect the rights of stakeholders. This data shows that 33% of respondents disagreed with the statement, 40% neither agreed nor disagreed, and the remaining 27% agreed. Those that disagreed believe that the organisation is unable to protect stakeholder right because of less concern towards effective CG. The study published by Alnatheer and Nelson (2009) suggests that the rights of stakeholders need to be protected in order to fulfil good CG practices.

Statement # 29

Figure 39: The management and employees are involved in the decision-making process in order to avoid conflict



This graph shows the data gathered from the statement on involvement of managers and employees in the decision-making process. The literature suggests that in effective CG practices, the involvement of manager plays an important part in avoiding conflicts. This graph shows that 33% of respondents disagreed with the statement, 40% neither agreed nor disagreed, and the remaining 27% agreed. The study published by Koldertsova (2010) suggests that the organisation must involve managers and employees in the decision-making process to avoid conflicts.

Statement # 30

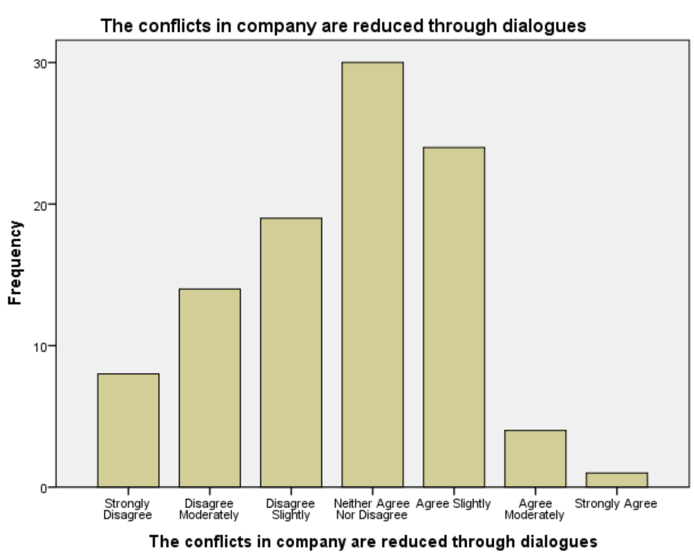


Figure 40: Conflicts in the company are reduced through dialogue

This graph shows the data gathered from the statement on conflicts. The literature suggests that in effective CG practices the company must avoid conflicts based on negotiations and dialogues. This data shows that 41% of respondents disagreed with the statement, 30% neither agreed nor disagreed, and the remaining 29% agreed. Those that disagreed believe that the management in company do not focus on dialogues, which results in conflicts. The study published by Koldertsova (2010) suggests that conflicts in the company can be avoided through dialogues.

Again, this is a strikingly homogenous opinion. In this context, the homogeneity of the sample might normally be of considerable concern, but it is reflective of the demographic makeup of the SMTs in the companies surveyed and is therefore likely to reflect either a homogeneity of opinion or the desire to virtue signal via the expression of that opinion.

Adequate Resource Movement

Statement # 31

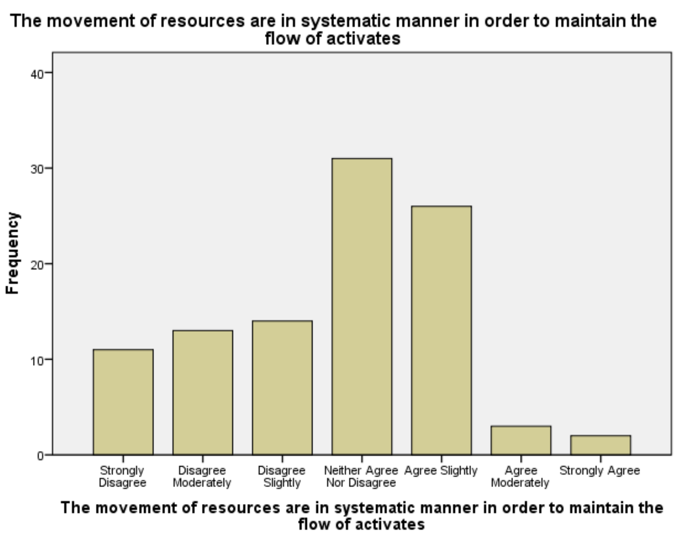
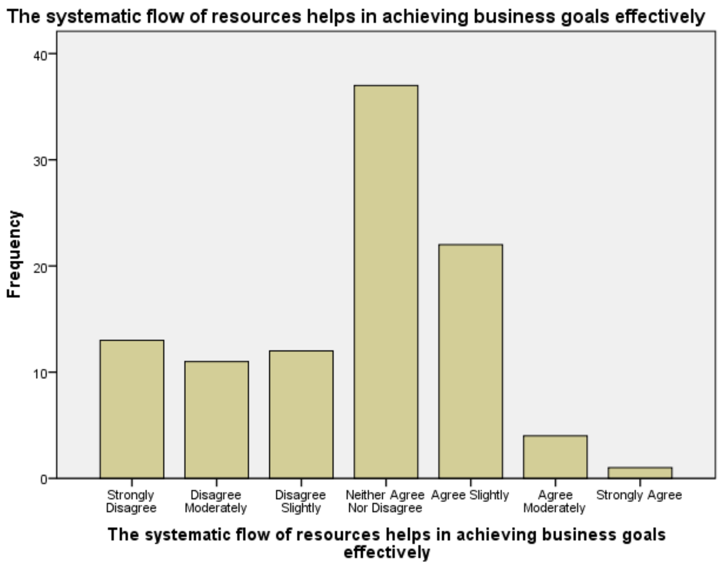


Figure 41: The movement of resources is systematic in order to maintain the flow of activities

This graph shows the data gathered from statement on the movement of resources. The literature indicates that the movement of resources needs to be systematic. The data shows that 38% of respondents disagreed with the statement, 31% neither agreed nor disagreed, and the remaining 31% agreed. Those that disagreed believe that the company is unable to maintain the flow of activities. The study published by Gillan and Starks (2000) suggests that the organisation needs to maintain the flow of activities in systematic manner.

Statement # 32

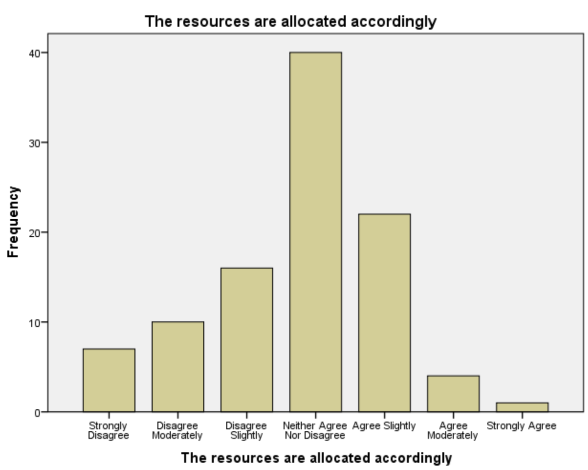
Figure 42: The systematic flow of resources helps in achieving business goals effectively



This graph shows the data gathered from the statement related to the systematic flow of resources, which helps in achieving business goals effectively. The literature suggests that the flow of resources needs to be systematic. This data shows that 36% of respondents disagreed with the statement, 37% neither agreed nor disagreed, and the remaining 27% of respondents agreed. The study published by Groot (2009) suggests that in effective CG practices the flow of resources needs to be systematic.

Statement # 33

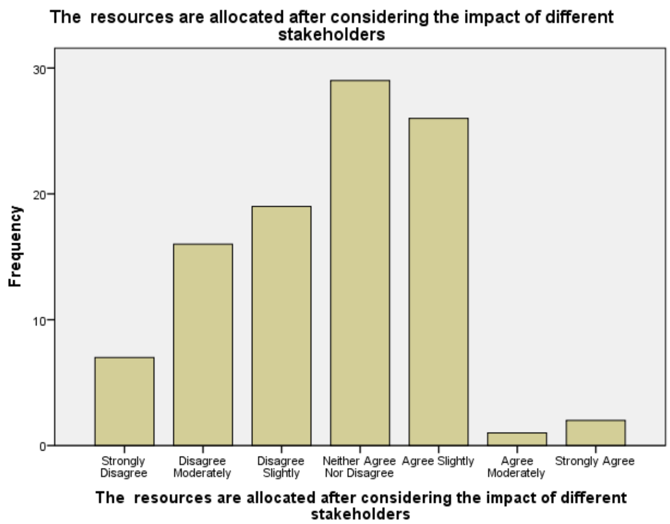
Figure 43: Resources are allocated accordingly



This graph shows the data gathered from the statement related to resource allocation. The literature suggests that the allocation of resources needs to be done accordingly. This graph shows that 33% of respondents disagreed with the statement, 40% neither agreed nor disagreed, and the remaining 27% agreed. Those that disagreed believe that resources are not allocated effectively in their organisation. The study presented by Groot (2009) suggests that the organisation must allocate its resources appropriately.

Statement # 34

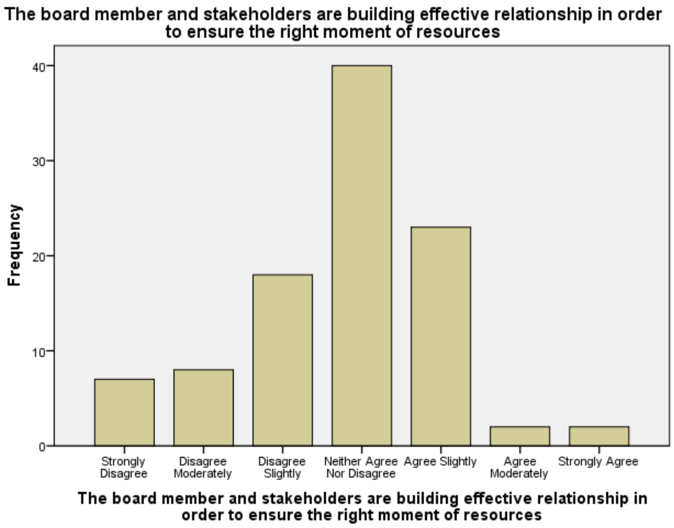
Figure 44: Resources are allocated after considering the impact on different stakeholders



This graph shows the data gathered from the statement on allocation of resources after considering the potential impact on various stakeholders. The literature shows that a company must allocate resources after considering the concerns of its stakeholder. The data shows that 42% of respondents disagreed with the statement, 29% neither agreed nor disagreed and the remaining 29% agreed. This proves the study published by Ramady (2012) and it suggests that resources must be allocated after considering stakeholders' concerns.

Statement # 35

Figure 45: The board members and stakeholders are building effective relationships in order to ensure the appropriate movement of resources

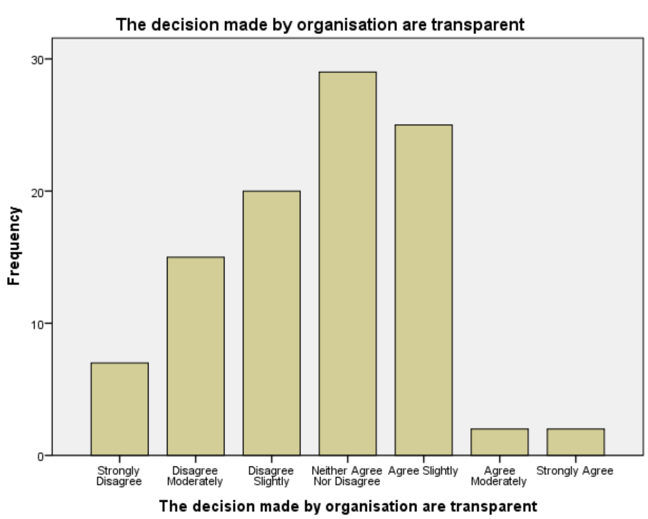


This graph shows the data gathered from the statement on the relationship between stakeholders and board members. The literature suggests that the members of a company must communicate, so they can ensure appropriate movement of resources. The data reveals that 33% of respondents disagreed with the statement, 40% neither agreed nor disagreed and the remaining 27% agreed. This illustrates the study presented by Ramady (2012), indicating that board members and stakeholders need to build effective relationships.

<u>Transparent Business Functioning</u>

Statement # 36

Figure 46: The decisions made by the organisation are transparent



This graph shows the data gathered from the statement on transparency of decisions made by the organisation. The literature indicates that in applying CG practices, an organisation needs to make its decisions transparent. The data shows that 42% of respondents disagreed with the statement, 29% neither agreed nor disagreed, and the remaining 29% of respondents agreed. This illustrates the study published by Ramady (2012) and it suggests that the decisions made by organisation need to be transparent.

Statement # 37

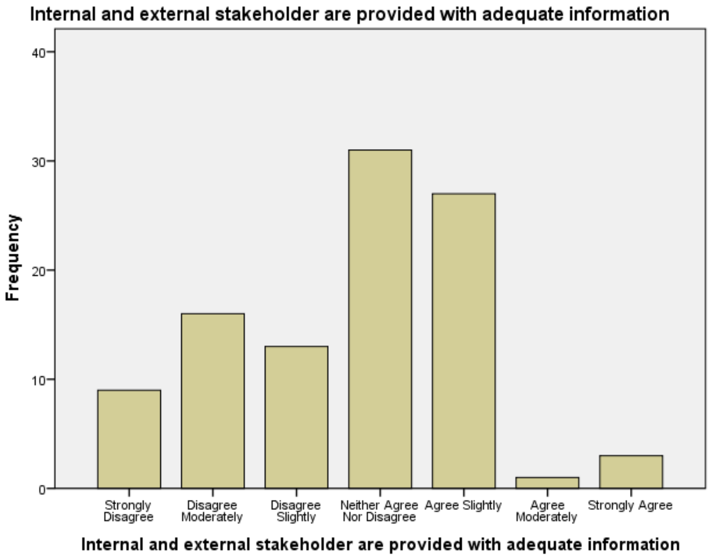
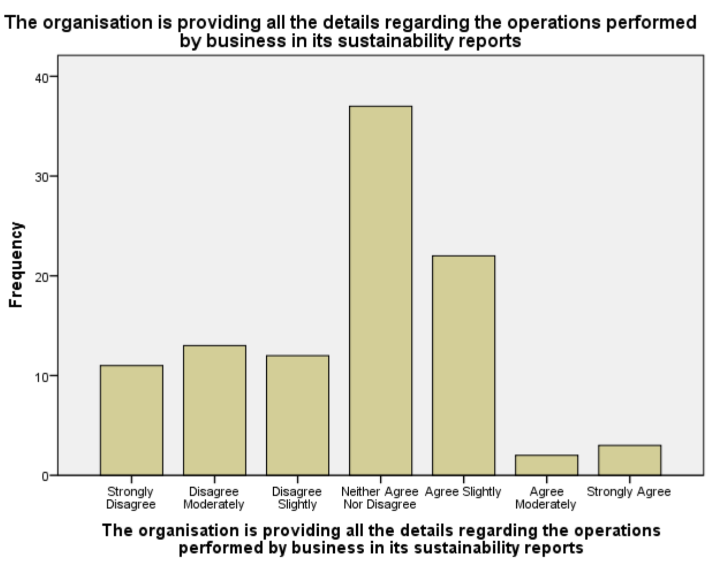


Figure 47: Internal and external stakeholders are provided with adequate information

This graph shows the data from the statement on adequate provision of information. The literature suggests that internal and external stakeholders must be provided with adequate information for the application of effective CG practices. This data shows that 38% of respondents disagreed with the statement, 31% neither agreed nor disagreed, and the remaining 31% agreed. Alzharani, Ahmad and Aljaaidi (2011) suggest that the company must provide adequate information to its internal and external stakeholders.

Statement # 38

Figure 48: The organisation provides all the details regarding its business operations in its sustainability reports



This graph shows the data gathered from the statement on transparency of information provided by the company regarding its business operations. The literature indicates that in the application of CG practices, the organisation needs to provide transparent information to its stakeholders. This graph shows that 36% of respondents disagreed with the statement, 37% neither agreed nor disagreed and the remaining 27% agreed. Alzharani, Ahmad and Aljaaidi (2011) suggest that the organisation must provide details regarding the operations it performs in its sustainability reports.

Statement # 39

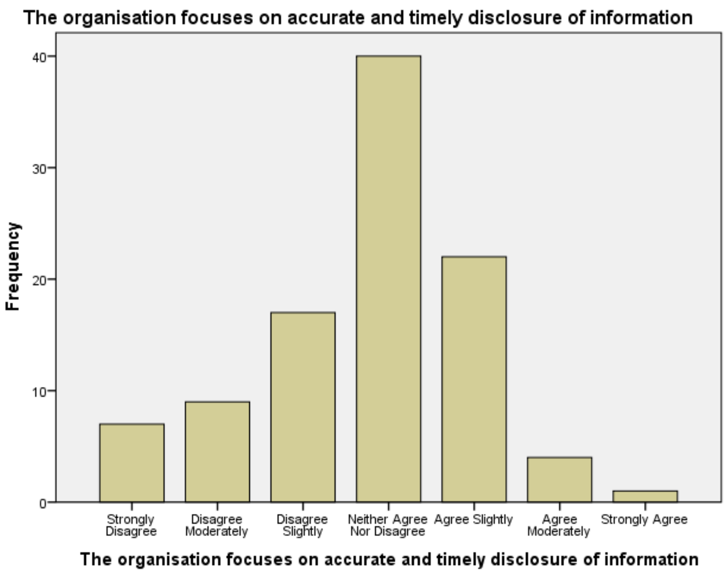
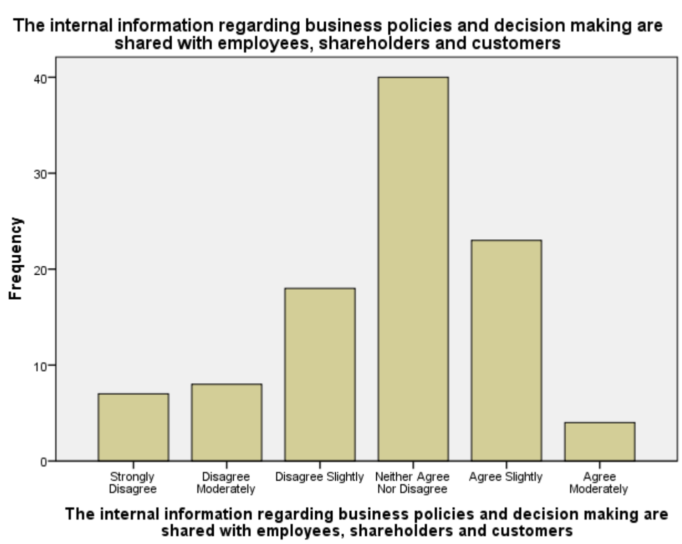


Figure 49: The organisation focuses on the accurate and timely disclosure of information

This graph shows the data gathered from the statement on focus of the organisation on sharing timely and accurate information. The literature suggests that the organisation needs to provide accurate and timely disclosure of information so as to focus on the application of CG practices. This data shows that 33% of respondents disagreed with the statement, 40% neither agreed nor disagreed and the remaining 27% agreed. Alzharani et al. (2011) suggest that the organisation needs to focus on the timely disclosure of information.

Statement # 40

Figure 50: Internal information regarding business policies and decision-making is shared with employees, shareholders and customers



This graph shows the data gathered from the statement on internal information sharing regarding business policies. The literature indicates that the company must share its decisions and policies with its employees, shareholders and customers in order to implement effective CG practices. This graph shows that 33% of respondents disagreed with the statement, 40% neither agreed nor disagreed, and the remaining 27% agreed. Eljelly (2009) suggests that internal information regarding business practices must be shared with stakeholders.

Partner Style working relationship

Statement # 41

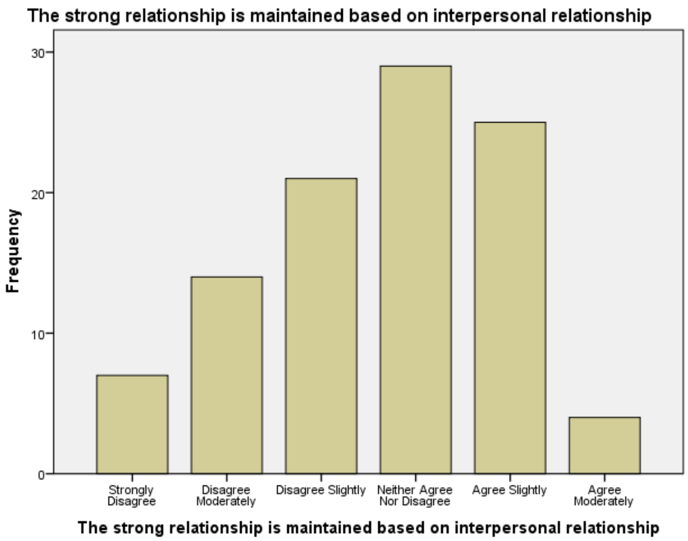


Figure 51: A strong relationship is maintained based on interpersonal relationships

This graph shows the data gathered from the statement on strong relationships maintained by the company with its stakeholders. The literature suggests that interpersonal relationships in CG to maintain the partner working relationship. This data shows that 42% of respondents disagreed with the statement, 29% of respondent neither agreed nor disagreed, and the remaining 29% agreed. Those that disagreed believe that the company cannot build strong relationships because the interpersonal relationship are not encourages in the organisation. Al-Hussain (2013) suggests that in the application of CG practices, the company must focus on effective interpersonal relationships among board members and executives.

Statement # 42

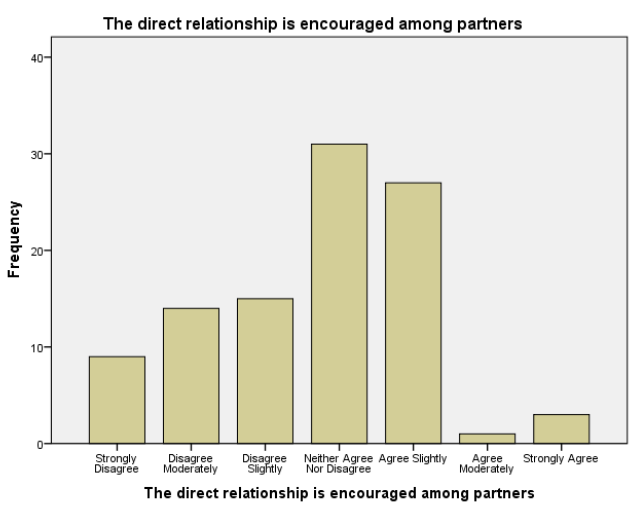


Figure 52: A direct relationship is encouraged among partners

This graph shows the data gathered from the statement on direct relationships, which are encouraged among partners. The literature indicates that in the application of CG, the company needs to encourage a direct relationship among partners. This graph shows that 38% of respondents disagreed with the statement, 31% neither agreed nor disagreed and the remaining 31% agreed. Those that disagreed believe that the organisation does not encourage direct relationships, which results in dissatisfaction. Alzharani et al. (2011) suggest that a direct relationship should be encouraged for effective CG.

Statement # 43

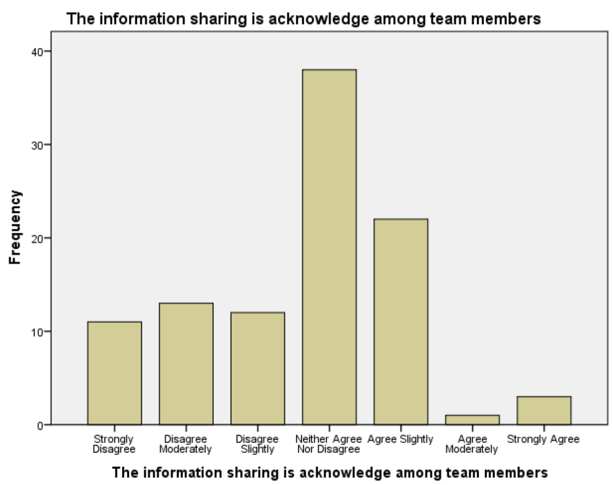
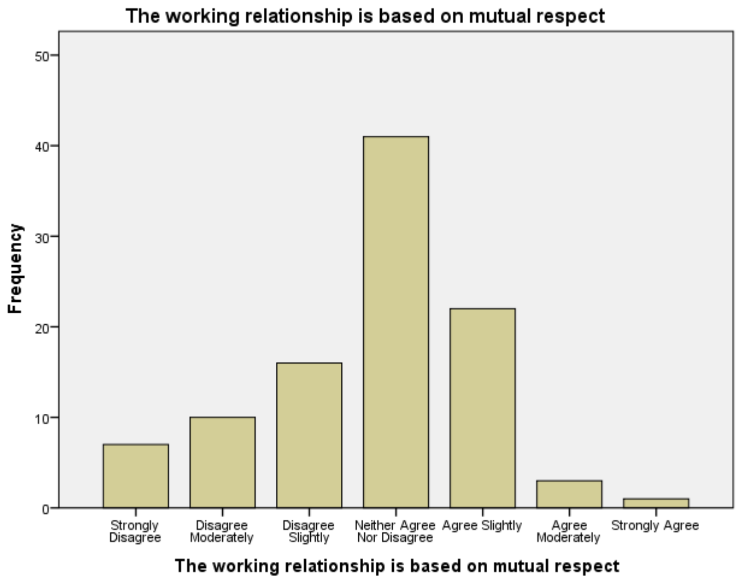


Figure 53: Information sharing is acknowledged among team members

This graph shows the data gathered from the statement related to information sharing. The literature suggests that the application of CG strategies the company must focus on information sharing among teams. The data reveals that 36% of respondents disagreed with the statement, 38% neither agreed nor disagreed and the remaining 26% agreed. Those that disagreed believe that the organisation is unable to focus on knowledge sharing, which negatively influence on the employee productivity and company image. Alzharani et al. (2011) suggest that information sharing needs to be acknowledged among team members.

Statement # 44

Figure 54: The working relationship is based on mutual respect



This graph shows the data gathered from the statement on working relationships, which are based on mutual respect. The literature indicates that in CG, the working relationship must be based on mutual respect. The data shows that 33% of respondents disagreed with the statement, 41% neither agreed nor disagreed, and the remaining 26% agreed. Those that disagreed believe that the organisation is unable to focus on respect and effective work relationships, which negatively influences CG practices. Safieddine (2009) suggests that the working relationship needs to be based on mutual respect.

Statement # 45

Figure 55: The management teams act as leaders in order to make strategic decisions

This graph shows the data gathered from the statement on strategic decisions made by the management. The literature suggests that in CG, the management of a company need to act as leaders. This data shows that 42% of respondents disagreed with the statement, 30% neither agreed nor disagreed and the remaining 28% agreed. Those that disagreed believe that the management in company do not have leadership skills, which results in in effective decision making. Safieddine (2009) suggests that that in effective CG, management must act as leaders and must have leadership traits, so that they can focus on strategic decision making.

5.3.4. Statistical Techniques Applied for Analysis

i. Principal Component Analysis

Table 6: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.880
Bartlett's Test of Sphericity	Approx. Chi-Square	2552.189
	Df	36
	Sig.	.000

Interpretation of the Table:

The factor analysis helped in understanding the strength of the factors designed for the research. It helped to understand the significance of the relationship among variables based on different results obtained within PCA. Based on this, the above table illustrates the KMO and Bartlett's test conducted within PCA. The adjectives interpreted within this test were the Kaiser-Meyer-

Olkin (KMO) measure of sample adequacy, and the Sig. value of Bartlett's Test. Generally, the value of KMO should be > 0.50 in order to prove the sampling adequacy. The minimum criteria of the test are 0.50, whereas the best value of KMO should be < 0.90. Based on this, the value of KMO obtained in the above table is 0.880, which shows that the sample adequacy is excellent.

Bartlett's test reveals the sphericity of the hypothesis, which shows that the diagonal elements within a correlation are 1, and the off-diagonal elements within a correlation are 0. Hence, the Sig. value needs to be less than the alpha value in order to reject all null hypotheses. Therefore, the Sig. value obtained in the above table was 0.00, which means that the null hypotheses were rejected. This means that PCA meets the requirements.

Table 7: Communalities Obtained from PCA

Communalities		
	Initial	Extraction
Valuing_Stakeholders	1.000	.793
Securing_Stakeholders_Interests	1.000	.925
Maintainance_Of_Corporate_Image	1.000	.979
Delegation_Of_Power	1.000	.966
Avoidance_Of_Conflict_Issues	1.000	.975
Adequate_Resource_Movement	1.000	.981
Transparent_Business_Functioning	1.000	.970
Partner_Style_Working_Relationship	1.000	.963
Corporate_Governance	1.000	.955
Extraction Method: Principal Component Analysis.		

Interpretation of the Table:

The table of communalities interprets the intensity of variances involved in the original variables, which are explained through extracted factors. However, if the communality of the extracted factor is less than 50%, then that factor is excluded from the analysis because that variable is less than half of the original variable. In the above table shows that all the factors have strong communalities because the values of the extracted factors are above 50%. This means that the nine mentioned factors will be used in the further analysis because higher communalities are more desirable in PCA. The total variances of all the loadings are defined in the table below.

Table 8: Total Variance Obtained from PCA

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Tot	% of Variance	Cumul %	Tot	% of Variance	Cumul %
Valuing_Stakeholders	8.506	94.513	94.513	8.506	94.513	94.513
Securing_Stakeholders_Interests	.297	3.299	97.812	.297	3.299	97.812
Maintainance_Of_Corporate_Image	.065	.727	98.539	.065	.727	98.539
Delegation_Of_Power	.055	.613	99.152	.055	.613	99.152
Avoidance_Of_Conflict_Issues	.030	.333	99.485	.030	.333	99.485
Adequate_Resource_Movement	.021	.236	99.720	.021	.236	99.720
Transparent_Business_Functioning	.014	.157	99.878	.014	.157	99.878

Partner_Style_Working_Relationship	.007	.080	99.957	.007	.080	99.957
Corporate_Governance	.004	.043	100.000	.004	.043	100.000
Extraction Method: Principal Component Analysis.						

Interpretation of the Table: The above table interprets the total variance obtained from the factor loadings. The table is obtained when all the communalities appear in the factor loading. Based on this, the percentage variance shows that there is a 94.5% total variance obtained from all the factors, which means that there is strong correlation among variables.

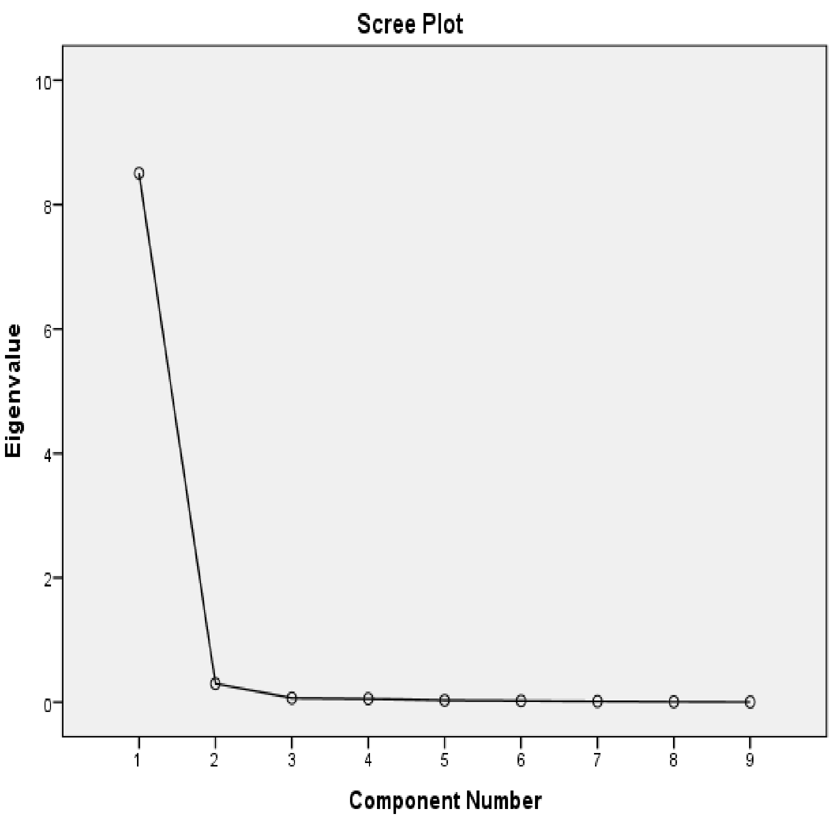


Figure 56: Scree plot obtained from PCA

Interpretation of the Graph:
The above graph illustrates the factor loadings and the stability among the factors. The graph shows that the first component of the PCA has a higher eigenvalue, whereas the other components have equivalent eignevalues because they all correlate with each other. This shows that the factor loadings form a relationship within PCA.

Table 9: Component Matrix Obtained from PCA

Component Matrix[a]	
	Component
	1
Adequate_Resource_Movement	.990
Maintainance_Of_Corporate_Image	.989
Avoidance_Of_Conflict_Issue	.988
Transparent_Business_Functioning	.985
Delegation_Of_Power	.983
Partner_Style_Working_Relationship	.981
Corporate_Governance	.977
Securing_Stakeholders_Interest	.962
Valuing_Stakeholders	.890
Extraction Method: Principal Component Analysis.	
a. 1 component extracted.	

Interpretation of the Table:

The above table illustrates the component matrix obtained within PCA. The table interprets the value of components based on the rule of thumb i.e. if the value of components extracted are close to 1, then it proves that the factors are strong. The range of components is from -1 to +1. Based on this, it can be concluded that the values of all components are close to 1, and so the factors are strong. Moreover, it can be seen that the lowest value in the above table is of valuing stakeholders i.e. 0.890. However, the value is close to 1, so even the lowest value is considered to be strong.

ii. Multiple Regression Analysis

Table 10: Model Summary Table of Multiple Regression Analysis

Model Summary				
Model	R	R-squared	Adjusted R-squared	Std. Error of the Estimate
1	.987[a]	.975	.973	.19965
a. Predictors: (Constant), Partner_Style_Working_Relationship, Valuing_Stakeholders, Avoidance_Of_Conflict_Issues, Securing_Stakeholders_Interests, Maintainance_Of_Corporate_Image, Delegation_Of_Power, Transparent_Business_Functioning, Adequate_Resource_Movement				

Interpretation of the Table:

The table above illustrates the impact of relationships based on the adjusted R-squared value. From the table, the strength of the relationships among dependent and independent variables is analysed and interpreted, which helps in understanding the cause and effect relationship. As the dependent variable of the study was corporate governance (CG), the elements of CG were chosen as the independent variables in order to understand their impact on the CG of large-scale organisations in Saudi Arabia. The model summary helped in understanding whether the variables form strong relationships or not. The elements were tested through multiple regression analysis, where the model was applied to the framework of the study. The independent variables of the study include valuing stakeholders (VS), securing stakeholders' interests (SSI), maintenance of corporate image (MCI), delegation of power (DP), transparent business functioning (TBF), avoidance of conflict issues (ACI), adequate resource movement (ARM) and partner-style working relationship (PSWR). Based on this, the value obtained of adjusted R-squared was 0.973, which means that the impact of relationships exists. Moreover, the percentage of relationship impact obtained was 97.3%, which shows a strong and positive relationship among dependent and independent variables. The variation within this percentage is small, which can be ignored as the larger side of the percentage shows a strong relationship. Thus, it can be suggested that there is a somewhat strong and positive relationship among dependent and independent variables. The small variation is due to the insignificance obtained while testing p-value.

Table 11: ANOVA Table of Multiple Regression Analysis

ANOVA[a]						
Model		Sum of the Squares	df	Mean Square	F	Sig.
1	Regression	140.076	8	17.510	439.265	.000[b]
	Residual	3.627	91	.040		
	Total	143.704	99			

a. Dependent Variable: Corporate_Governance

b. Predictors: (Constant), Partner_Style_Working_Relationship, Valuing_Stakeholders, Avoidance_Of_Conflict_Issue, Securing_Stakeholders_Interest, Maintainance_Of_Corporate_Image, Delegation_Of_Power, Transparent_Business_Functioning, Adequate_Resource_Movement

Interpretation of the Table:

The above table illustrates the analysis of variance (ANOVA) testing conducted for the multiple regression analysis for the dependent variable CG, and for the independent variables VS, SSI, MCI, DP, TBF, ACI, ARM and PSWR. The purpose of conducting the ANOVA test is to identify the significance of relationships based on the criteria of the study. The table shows the analysis of variance based on F ratio and p-value. It helps in interpreting the variability of the components analysed in the table, where the variation among groups is presented in the column of the sum of the squares, and 'df' represents the degree of freedom among the components and the group. The MS defines the mean square of the overall variables. However, the interpretation is mainly based on the F ratio and p-value. The F ratio is interpreted based on the rule of thumb i.e. if the value of F is close to 1, then it means that the null hypothesis is true, whereas if the value is above 4, then it means that the alternative hypothesis is true.

Based on this, the F ratio obtained from the above table is 439.265, meaning there is a strong relationship among the variables tested. Furthermore, the p-value obtained in the above table was 0.00, which is again interpreted based on rule of thumb i.e. if $p < 0.05$, then the alternative hypothesis is accepted. Based on this interpretation, it can be said that the p-value obtained in the above ANOVA test is 0.000, which means that the relationship is significant. It proves that there is a significant impact of VS, SSI, MCI, DP, TBF, ACI, ARM and PSWR on CG. Moreover, it further clarifies that the value of adjusted R-squared obtained in the model summary table supports the acceptance of H_a. It further indicates that CG helps organisations to manage their strong position within the industry by focusing on key aspects of business execution such as transparency, accountability, fairness and responsibility (Springer, 2013). These are the pillars of CG. By maintaining strength in following these pillars, organisations are able to maintain their corporate image and stakeholders' interests, the clear delegation of power, transparent business functions, the allocation and utilisation of resources, partnership development, and the valuation of the concerns of stakeholders. By focusing on these elements, organisations are able to focus on their responsibilities towards the satisfaction of their key stakeholders. These elements also help in conducting ethical business practices by focusing on key principles, procedures and standards, which results in profit maximisation (Jamali et al., 2008).

Furthermore, as discussed in the literature review, Koldertsova (2010) suggested that developed countries tend to focus on their CG agendas in their official reports, annual stakeholders' reports and board meetings, as they consider it crucial for their business growth. Within these modes of communication, the elements of CG are given special consideration as they help organisations to maintain their business standards at an international level. So, CG is considered part of the legal and regulatory framework of the business. Hence, based on the discussion in the literature review, it can be concluded that the model of the study is significant because the p-value obtained in the ANOVA shows the significance of the relationship among dependent and independent variables.

Table 12: Coefficients of Multiple Regression Analysis

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.075	.075		.997	.321		
	Valuing_Stakeholders	-.155	.058	-.140	-2.685	.009	.102	9.791
	Securing_Stakeholders_Interest	.171	.084	.156	2.037	.045	.047	21.110
	Maintainance_Of_Corporate_Image	.381	.117	.388	3.255	.002	.020	51.227
	Delegation_Of_Power	-.217	.128	-.215	-1.702	.092	.017	57.599
	Avoidance_Of_Conflict_Iss	1.073	.132	1.061	8.135	.000	.016	61.354

	ue							
	Adequate_Resource_Movement	.023	.164	.023	.141	.888	.010	95.343
	Transparent_Business_Functioning	-.893	.150	-.884	-5.966	.000	.013	79.187
	Partner_Style_Working_Relationship	.589	.144	.588	4.088	.000	.013	74.496
a. Dependent Variable: Corporate_Governance								

Interpretation of the Table:

Model Developed: CG = 0.075 + (-0.155)(VS) + 0.171(SSI) + (-0.084)(CC) + 0.381(MCI) + (-0.217)(DP) + 1.073(ACI) + 0.023(ARM) + (-0.893)(TBF) + -.589(PSWR) + ε

Based on the values of the coefficients of β obtained in the above table, it was identified that there is positive relationship among securing stakeholders' interest, maintenance of corporate image, avoidance of conflict issues, adequate resource movement and partner-style working relationships, because the obtained value of β is positive. There is a negative relationship with valuing stakeholders, delegation of power and transparent business functioning, because the obtained value of β is negative. The positive values obtained confirm that the higher the value of β, the stronger the significance it creates on the dependent variable i.e. corporate governance, whereas the lower values confirm that the impact on the dependent variable is lesser. Among the obtained values of β, avoidance of conflict issues has a higher value, which means that this variable creates a stronger impact on the dependent variable. On the other hand, the negative values of β reflect that there is no relationship between the dependent and independent variables. This proves that some elements of CG have an influence on the CG of large-scale organisations.

Besides this, the Sig. value obtained for each variable shows whether the respective hypothesis was accepted or rejected. Based on this, the Sig. values obtained for each variable are given below:

Table 13: Interpretation of Coefficients

IDVs (Independent Variables)	p-Value	VIF
Valuing_Stakeholders	.009	9.791

Securing_Stakeholders_Interest	.045	21.110
Maintainance_Of_Corporate_Image	.002	51.227
Delegation_Of_Power	.092	57.599
Avoidance_Of_Conflict_Issue	.000	61.354
Adequate_Resource_Movement	.888	95.343
Transparent_Business_Functioning	.000	79.187
Partner_Style_Working_Relationship	.000	74.496

Based on the above values, it can be interpreted that the Sig. value of valuing stakeholders is 0.009 i.e. < 0.05, which means that valuing stakeholders creates a significant impact on CG. The Sig. value of securing stakeholders' interest is 0.045, which is < 0.05. This proves that securing stakeholders' interests creates a significant impact on CG. The Sig. value of maintenance of corporate image was 0.002, which is < 0.05, proving that maintenance of corporate image creates a significant impact on CG. The Sig. value of delegation of power is 0.092, which is > 0.05. Hence, this shows that the delegation of power does not create a significant impact on CG. The Sig. value of avoidance of conflict issue is 0.000, which is < 0.05, indicating that avoidance of conflict issues creates a significant impact on CG. The Sig. value of adequate resource movement is 0.888, which is > 0.05, showing that adequate resource movement does not create a significant impact on CG. The Sig. value of transparent business functioning is 0.00, which is < 0.05, proving that transparent business functioning creates a significant impact on CG. Lastly, the Sig. value of partner-style working relationships is 0.00, which is < 0.05, indicating Hence, that partner-style working relationships create a significant impact on CG. Besides this, the VIF values of each predictor are: VS (9.791), SSI (21.110), MCI (51.227), DP (57.559), ACI (61.354), TBF (96.343), ARM (79.187) and PSWR (74.496), which means that multicollinearity exists among variables.

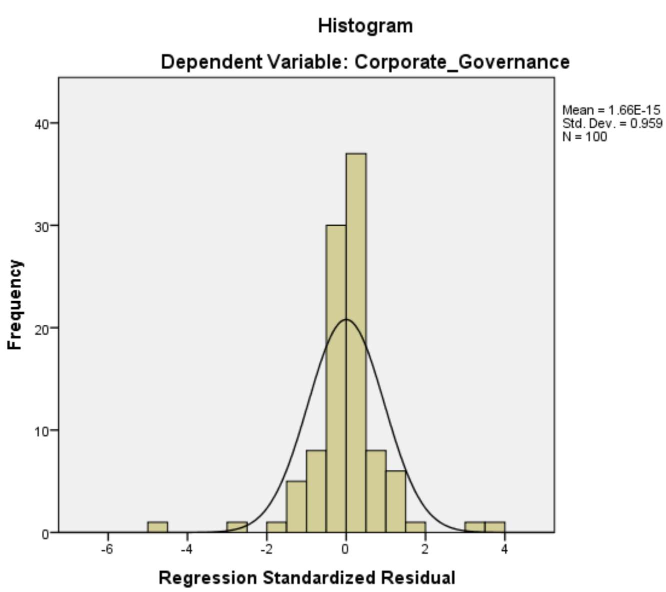


Figure 57: Histogram of regression analysis

Interpretation of the Graph:

These figures illustrate that the data gathered for the study is positively skewed. It means that the regression analysis shows a standardised residual for corporate management.

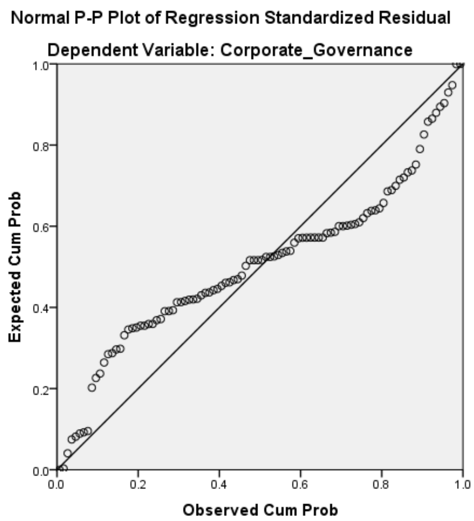


Figure 58: P-P Plot for regression analysis

Interpretation of the Graph:

This graph illustrates that the residual line does not follow the diagonal, which means that that distribution was somewhat poorer than normal due to the wide range of options (scaling).

iii. Pearson's Correlations Matrix

Table 14: Pearson's Correlation Matrix for Hypotheses Assessment

The below table illustrates the summary of variables based on p-value and r-value. Pearson's Correlation Matrix was conducted in order to assess the hypothesis based on these values. The interpretation was carried out based on the rule of thumb that the p-value should be < 0.05 in order to accept H_a, while the scaling of interpreting r-value is given below:

Correlations										
		CG	VS	SSI	MCI	DP	ACI	ARM	TBF	PSWR
CG	Pearson Correlation	1								
	Sig. (2-tailed)									
	N	100								
VSI	Pearson Correlation	.825**	1							
	Sig. (2-tailed)	.000								
	N	100	100							
SSI	Pearson Correlation	.926**	.931**	1						
	Sig. (2-tailed)	.000	.000							
	N	100	100	100						
MCI	Pearson Correlation	.968**	.870**	.934**	1					
	Sig. (2-tailed)	.000	.000	.000						
	N	100	100	100	100					
DP	Pearson Correlation	.961**	.833**	.935**	.965**	1				
	Sig. (2-tailed)	.000	.000	.000	.000					
	N	100	100	100	100	100				
ACI	Pearson Correlation	.976**	.846**	.929**	.977**	.968**	1			
	Sig. (2-tailed)	.000	.000	.000	.000	.000				
	N	100	100	100	100	100	100	100		
ARM	Pearson Correlation	.970**	.846**	.929**	.986**	.974**	.989**	1		
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000			
	N	100	100	100	100	100	100	100		
TBF	Pearson Correlation	.956**	.836**	.916**	.979**	.969**	.985**	.988**	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000		
	N	100	100	100	100	100	100	100	100	
PSWR	Pearson Correlation	.961**	.821**	.921**	.971**	.987**	.964**	.974**	.979**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	
	N	100	100	100	100	100	100	100	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

Table 15: Scaling for r-value

Pearson's Correlation Scaling	
	r = +.70 or higher: Very strong positive relationship +.40 to +.69: Strong positive relationship +.30 to +.39: Moderate positive relationship +.20 to +.29: Weak positive relationship +.01 to +.19: No or negligible relationship -.01 to -.19: No or negligible relationship -.20 to -.29: Weak negative relationship -.30 to -.39: Moderate negative relationship

Interpretation of the Table of Correlations

With regard to the mentioned values, the hypotheses assessment based on the correlation matrix is presented below:

Table 16: Hypotheses Assessment Based on Correlations Matrix

No.	Hypothesis	Pearson's Correlation Value	Relationship Status	Empirical Results	Interpretation
H_1	Valuing stakeholders creates a significant impact on the CG of large-scale organisations	0.825	Very strong positive relationship	0.000 < 0.050	Hypothesis accepted
H_2	Securing stakeholders' interests creates a significant impact on the CG of large-scale organisations	0.926	Very strong positive relationship	0.000 < 0.050	Hypothesis accepted
H_3	The maintenance of corporate image creates a significant impact on the CG of large-scale organisations	0.968	Very strong positive relationship	0.000 > 0.050	Hypothesis accepted
H_4	The delegation of power creates a significant impact on the CG of large-scale organisations	0.961	Very strong positive relationship	0.000 < 0.050	Hypothesis accepted
H_5	Avoidance of conflict issues creates a significant impact on the CG of large-scale organisations	0.976	Very strong positive relationship	0.000 < 0.050	Hypothesis accepted
H_6	Transparent business functioning creates a significant impact on the CG of large-scale organisations	0.970	Very strong positive relationship	0.000 > 0.050	Hypothesis accepted

H_7	Adequate resource movement creates a significant impact on the CG of large-scale organisations	0.956	Very strong positive relationship	0.000 > 0.050	Hypothesis accepted
H_8	Partner-style working relationship creates a significant impact on the CG of large-scale organisations	0.961	Very strong positive relationship	0.000 > 0.050	Hypothesis accepted

iv. Reliability Statistics

Table 17: Internal Consistency of Data Based on Cronbach's Alpha

Reliability Statistics	
Cronbach's Alpha	N of Items
.989	49

Interpretation of the Table

The reliability of the data obtained for the study was assessed based on Cronbach's Alpha value. The value helped to determine the internal consistency of the data. Based on the rule of thumb, if the value of α is close to 1, then it proves that internal consistency is strong and that the data is reliable. Based on this, the value of α obtained was 0.989, which means that internal consistency is strong and the data of the research is reliable.

5.3.5. Summary of SPSS

Based on the findings of the study, it can be summarised that it is important that organisations maintain and focus on their CG, because it helps them to manage their market reputation and excellence. However, there are few organisations that follow CG in its absolute form. The reason that organisations are reluctant to follow CG in their strategic decision-making rests on the views of top management in business operations. In the Middle Eastern and Asian regions specifically, CG is weak due to cultural priorities and beliefs. These regions rank highly on the Power Distance Index, meaning that they are less good at focusing on balanced management mechanisms based on governance and corporate citizenship.

It was also seen while gathering primary data that the respondents mostly disagreed with the statements regarding the CG of their organisations, which shows that for them, it is essential to follow CG elements in order to improve the performance of large-scale organisations. The hypotheses of the study focused on elements of CG that were applied in large-scale organisations. The results showed that each element of CG plays an essential role in enhancing the CG activities of large-scale organisations. However, there was a lower level of valuing stakeholders, delegation of power and managing adequate resources. These results were obtained from regression analysis, whereas PCA suggested that all the factors within the research prove to be strong enough to create an impact. This was also suggested by the correlation matrix, which indicated that there is strong relationship among variables of the study.

The reliability obtained from Cronbach’s alpha suggested that the internal consistency of data is strong and so the research may reasonably contribute towards suggesting solutions to large-scale organisations in order to focus on their CG. Hence, the summary of the quantitative analysis suggests that the variables of the study are strong in order to analyse the CG practices followed by large-scale organisations operating in Saudi Arabia.

5.4. Triangulation

Although direct triangulation cannot be achieved between the two data sets as the exact questions were not asked to both groups, certain important trends can clearly be seen. In the qualitative study done with the managers there was a very high correlation between what was considered good practice by the managers and that which was reported in the literature review. The notable divergences were in the following questions

Question 2. Does your company follow the rules and policies of corporate governance responsibly?

In this case, although the importance was acknowledged so was an inconsistency in its compliance.

Question 7. Do you think that the board of directors has a role to play in corporate governance?

In this instance, while compliance was reported as very high it was very “rule oriented” in its compliance, as opposed to that simply being the culture.

Question 8. What benefits has your company received due to corporate governance?

The respondents generally mentions a positive corporate image, while the literature mentioned a broader range of benefits.

Question 9. Are you facing any issues regarding the implementation of corporate governance codes and policies?

Arguably a higher level of challenges were being reported than in companies operating in more developed countries. Notably the major concern was with losing a competitive advantage through too much disclosure and transparency, which is something that was identified in the literature.

Question 10. Do you have any comments on the state of corporate governance or on the global impact of corporate governance?

While there was a perception of lagging this was only true in a global context and not a Gulf State context where Saudi Arabia is actually ranked second (only behind Oman) in GC compliance.

What was extremely interesting in the data was the enormous gap between managerial and employee perception. Of the 44 quantitative topic considered by the employees only 2 had a predominant positive response. The first was the statement “Due to corporate governance the organisation is balancing the interests of stakeholders” to which barely a majority (52%) agreed. The second was the statement 33 “Conflicts in the company are reduced through dialogue”. In all of the other 42 questions the employee responded in either a neutral manner (neither agreeing or disagreeing) [22 of the 44 questions] or actively disagreeing [20 of the 44 questions]. These questions ranged from things relating to employee treatment, stockholder treatment, general ethics, and third-party stake holders

What remains unclear from this data set are the following: (1) how much of this gap is perception, (2) how much of the high level of negativity is based on general employee discontent, and (3) how much of the high level of positive comments from management reflect what the managers think they should be saying versus what they actually believe.

5.5. Chapter Summary

As shown in Table 16, the six elements that were included include in the conceptual model were actually broken down into eight categories, and in each case there was a high correlation based on the surveys and interviews. As such, the conceptual model should be revised to display each of the eight elements, instead of the more abbreviated six-component conceptual model. Furthermore, from the analysis and findings obtained in the chapter, it can be suggested that CG is essential for organisations in order for them to manage their corporate excellence and identity. From qualitative analysis, it was observed that organisations and institutions such as the SAMA and Sanabil may be considered good examples in Saudi Arabia in terms of their implementation of CG, whereas SABIC shows a poorer focus on CG. The reason for discussing the SAMA and Sanabil in the study, despite the fact that they are financial institutions, was that the CG followed by these institutions can be benchmarked by other large-scale organisations working in Saudi Arabia. However, from the qualitative analysis and the literature review, it was observed that the large-scale Saudi Arabian organisations studied have a poor approach to CG practices. It was also proven in the quantitative analysis conducted for the study that some aspects of CG are not followed by the organisations due to insufficient planning. The poor strategies for managing CG within these organisations gave them a lower ranking on the CG index.

Hence, the results obtained in the study suggested that the CG practices of large-scale organisations need to be strong in order to manage its effective performance in the corporate world and that there is a large gap between compliance reported by management and perceived compliance experienced by workers. The next chapter of the study will follow on from the results inferred in this chapter. The conclusion was prepared so as to summarise the overall objectives of the research. Chapter 6 will also propose various managerial implications for the large-scale organisations. Recommendations will also be made for the organisations to help propose strategies for CG. Future direction will also be given, which will help future researchers to expand the scope of the current study. The conclusion will help non-expert readers to understand the research and interpret the findings using convenient means and methods.

Chapter 6: Conclusions, Implications, Contributions, Recommendations and Future Direction

6.1. Introduction

This chapter provides the conclusions of analysis. This is first done for the secondary data and then the primary data. Next, implications derived from the findings of the study are presented following by the contributions of the research, it limitations, and recommendations for corporate governance in KSA. Finally the future scope of research is introduced.

6.2. Conclusion Based on Analysis and Findings

6.2.1. Summary of Secondary Data

The secondary analysis formed a broader understanding of CG in KSA whilst ensuring that the primary data were not outliers.

The overall secondary analysis was developed using the data from the websites of the Saudi Arabian Monetary Agency (SAMA), Sanabil Industries and Saudi Arabia Basic Industries Corporation (SABIC), and the research archives of the three organisations. The process used was benchmarking, and the approach was a comparative secondary analysis. In this regard, the companies were first analysed based on the pillars of CG: transparency, fairness, accountability and responsibility. These pillars served as the tools for the benchmarking of the three organisations. The secondary analysis also involved the global perspective on the performance of Saudi Arabia in the market based on the country's CG standards. After a detailed analysis of the firms, it was revealed that the SAMA was operating at a higher level than the other companies in terms of CG practices, which as a state-run institution was not surprising. In the overall analysis, SABIC showed the weakest position according to the measures of CG. The major elements of the complete CG analysis obtained from the secondary data were transparency, accountability and the value of stakeholders. However, SABIC seemed reluctant to communicate all of its major decisions openly. The global perspective in the analysis of CG showed that Saudi Arabia needs to devise better strategies in terms of investment decisions to gain an improved position in the international market. Previous research studies have also shown that Saudi Arabia's CG performance is weaker than that of the other major Gulf countries including Kuwait, Bahrain, and Oman. Oman's performance was the benchmark for Saudi Arabia in terms of the global analysis of CG.

The overall analysis of the secondary data gave an understanding of the operations of large-scale organisations and their compliance with the rules and policies of CG, which was one of the basic requirements of the topic. The research also revealed the relative global position and success of Saudi Arabia in comparison with the other Gulf countries. A basic understanding of the study results was also developed through the secondary data analysis, which helped in interrelating the secondary, qualitative and quantitative analyses for the benefit of the study.

Summary of Primary Data

The primary data analysis of the study was divided between two types of data collection and analysis: interviews and questionnaires. In terms of primary data analysis, both qualitative and quantitative methods were used, so that the accuracy and transparency of the data collection could be improved. These methods also improved the reliability and the validity of data on the basis of the multiple collection techniques and analysis used. The overall analysis of the study was helpful in developing a basic understanding, and a foundation for the results was also established after the secondary data analysis. The data collection was carried out in accordance with the proposed ethics and measures. The interview data was collected from the top management of large-scale organisations. The sample size for the interview was fifteen, the interview was based on semi-structured questions, and the data collection was carried out based on the conversations and discussions between the researcher and the interviewees. The respondents were contacted by appointment based on the ethics of the working environment, and topic-related questions were focused to the utmost. In this meeting, basic notes were taken and the interview results were coded on the basis of the importance of themes and the emphasis given to particular themes during the conversation. The overall impact of the interviews showed positive responses and the topic analyses were more developed through the interviews. Consequently, amongst all the pillars, transparency, fairness, accountability and responsibility were the most emphasised topics of the study.

The quantitative primary data analysis was based on the closed-ended self-administered questionnaire. The questionnaire statements were based on the research objectives and the pillars of CG were chosen for quantitative evaluation. The questionnaire was based on the 7-point Likert scale. All of the statements of the study were individually analysed and then tested using statistical tools to assess the hypotheses. The overall results of the primary data were based on the survey of SABIC, Al Baik, Saudi Aramco and Almarai; 25 respondents were selected from each organisation. The overall correlation results showed that stakeholders' value and interests were highly related to CG, and the delegation of power, corporate image and conflict management also showed strong positive relationships with CG. Transparency, resource management and the partner style of working were also factors that defined CG compliance in the companies. Overall, the impact of CG based on its attributes applied in the large-scale organisations showed that CG is directly dependent on stakeholders' interests, the maintenance of corporate image, conflict avoidance, resource management and partner style of working. The indirect attributes of CG were stakeholder value, the delegation of power and transparency. It is necessary that the indirect attributes be managed more efficiently in order to minimise the risks and issues related to legal concerns. The quantitative analysis was also conducted in order to identify the model of the study that largely affects CG in large organisations. Another advantage was to analyse the most supportive attributes of the study through factor and correlation analysis.

The design of the survey was based on the "agree-disagree" format. In this type of survey, closed questions are asked. It has been noted that the less educated and less informed respondents have a greater tendency towards acquiescence bias, but in this case the sample is well educated and powerful. The use of the forced choice format therefore seemed less useful than the expression of the strength of opinion of respondents.

Through the overall analysis of the primary data, it was revealed that CG is one of the essential aspects for the success of large-scale organisations. Its attributes also hold great importance in defining the standard and the level of business professionalism in the industry. The most important attributes derived from the study included transparency, the value of stakeholders, and the support of the management in terms of decision-making and compliance with rules. These attributes were not only supported by the qualitative analysis on the basis of discussions and conversation, but also through the quantitative analysis through statistical tests and relationship analysis. The importance of rules and policy procedures for the regional and international image of a company also holds great importance in determining CG standards and business success.

6.3. Research Summary

In summarising the overall study, it may be concluded that CG plays a crucial role in building the corporate image of a company. In the first chapter, the theoretical concept of CG was presented, which concludes that the implementation of ethical practices in an organisation benefits them in dealing with internal and external stakeholders. The internal stakeholders are the employees, shareholders, creditors and other regulatory bodies that are linked with the company, and the external stakeholders are the customers, society and the community. Therefore, in the first chapter, the theoretical concept shows that the rise in global economic crises increases the concern of management towards focusing on effective CG. Based on the controlling and monitoring mechanisms, an organisation is able to successfully run its internal business operations. In Chapter One the aims and objectives of the study were devised. The objectives of the research were specific, measureable and relevant. The aim of the study was to explore and investigate changing CG policies with respect to firm performance and the transformation of economies in developing countries. This aim was achieved through exploring the need for changing practices in CG. The primary and secondary data reveals that based on firm performance and emerging needs, the application of CG practices is changing. The study's four objectives were also laid out in the first chapter.

The first objective of this research was to conduct a comprehensive review of the existing literature on CG in order to identify a critical review based on CG practices and policies in developing counties. This objective was achieved through exploring various books, journals, research papers, web pages and articles. Based on this objective, it may be concluded that the use of CG practices helps with the fulfilment of roles and responsibilities, and with making employees accountable for their work. CG practices help in monitoring managerial functions and promote entrepreneurial leadership. Furthermore, the literature also showed that CG practices not only enhance internal operations, but also ensure that an organisation is performing ethically and that all its activities are in compliance with environmental regulations. Therefore, this objective was also achieved, and it indicates that the large-scale organisations in developing countries are usually family-governed. Therefore, the use of CG practices in such organisations helps to provide rules and regulation based on which their employees must operate.

The second objective of this study was to identify the factors of CG that impact a corporation during its transitional phase. This objective was also achieved through exploring the CG practices adopted by companies in Saudi Arabia. Based on this, it can be concluded that in Saudi Arabia, companies have a poor record of CG. This is because they are not compliant with the elements of accountability and transparency. The management of organisations are not able to follow the guiding principles of CG, and so they are unable to improve their rank in CG indices. Hence, this objective concludes that for the effective implementation of CG practices, a company must improve awareness of CG among its management staff so that they can become accountable for their work.

The third objective of this study was to conduct empirical research on CG in order to explore the CG practices adopted by developing countries. This objective was designed in order to conduct primary research and to explore the importance of a CG framework. This objective was also achieved, and various factors were tested such as transparency, valuing stakeholders, securing stakeholder interests, the maintenance of corporate image, the delegation of power, the avoidance of conflict issues, adequate resource movement, transparent business functioning and partner-style working relationships. Therefore, based on the CG framework it may be concluded that in order to enhance internal operations and gain a strong market position, the company must focus on the factors mentioned above. Transparency in business helps to provide clear information regarding business operations and activities. Moreover, the avoidance of conflict, resource movement and partner working relationships also significantly influence the overall image of a business.

The fourth objective of this study was to provide a framework of CG in order to validate CG practices. This objective was also achieved, and it concludes that the developing economies need to adopt effective CG practices, so that companies can operate in diverse environments. The concern of the management towards effective CG practices helps in gaining the trust of stakeholders. The stakeholders can be the board members, shareholders, the management team, executive staff, employees, customers, vendors etc. Hence, transparency and the disclosure of information helps to enhance the corporate image globally. Therefore, the fourth objective of this study was also achieved, and the detailed information regarding the CG practices adopted by developing countries and large-scale organisations were gathered through the help of primary data.

Therefore, the four objectives of the research were designed and the objectives were achieved. In providing a brief summary of all objectives, it may be concluded that developing countries such as Saudi Arabia are still lacking in the proper implementation of CG practices. Large-scale organisations operating in various regions are unable to gain high ranks in CG indices. The conceptual model of the study explores various factors relating to CG in detail. Therefore, transparency, avoidance of conflict, resource management, maintenance of corporate image, valuing stakeholders and work relationships are the core elements that influence the performance of management teams. CG practices also increase entrepreneurial leadership, and ensure the involvement of employees in the business. Hence, organisations that are successfully following the aspects of CG are able to build positive relationships among their management and executive staff. Not only this, but relationships built on trust help in running a business smoothly and managing its financial position based on positive returns.

The research question designed for the study was to analyse the level of practices of CG in emerging countries. This question was answered through exploring the literature previously published by authors. The research question summarises the fact that in developing countries, the concept of CG is rapidly increasing. Companies are required to share transparent information with concerned parties in order to gain a positive return on investment. The relationships built by the management and by the board result in effective business operations.

In the literature review, agency theory was discussed, which results in the association with CG practices. The theory concludes that in order to enhance efficiency and improve business performance, a company must focus on information sharing. The managerial staffs need to act as stewards, and they must work as leaders in order to resolve various problems that may occur in an organisation. Agency theory also concludes that companies must have adopted good CG practices, so that they can build a positive image of their business. Based on this, the analysis shows that the majority of respondents in the questionnaire survey believe that the use of effective CG practices does benefit the organisation in gaining long-term business sustainability.

Stakeholder theory was also discussed in the literature. Stakeholder theory reveals that the CG practices in an organisation are analysed by the level of involvement and integration of various actors in the decision-making process. The literature shows that in stakeholder theory, the management must have effective relationships with their stakeholders. Such effective relationships result in securing the interest of stakeholders, and in strategic decision-making. Therefore, stakeholder theory concludes that the organisation must focus on moral, social, technological and ecological requirements in order to value its stakeholders and focus on good CG practices.

Stewardship theory was also discussed in the literature. This theory concludes that CG practices promote partner-style working relationships. Therefore, when the board members and organisational management are accountable for their work, it helps to add extra value to the business. Therefore, such types of practices used by organisations reveal the importance of operational excellence in organisational success.

Resource dependency theory was also discussed in the literature, which suggests that an organisation must focus on acquiring effective resources in order to follow efficient business practices. The duty of the management and the board is based on maintaining long-term relationships in order to ensure the movement of resources. Furthermore, through building links with external sources, the organisation can gain positive relationships with society and with the community, which eventually benefits the organisation in the long run.

As argued initially, it would appear that the Anglo-Saxon models are an inherently bad fit with the Saudi market. The qualitative and quantitative data both suggest that a heavy emphasis exists on shareholder rather than a holistic stakeholder approach, and indeed that the concerns of the company executives surveyed are primarily driven by quasi-HR issues rather than the desire to provide broader value. It was suggested that this indicates that a great deal of the insider model suggested by the German and Japanese models are socially rather than governmentally enforced, and thus models such as the stewardship model may apply more directly to the company rather than broader concerns due to the relatively minimal relationship with the state and related regulators. This has perhaps been borne out by the relatively lax approach to CSR and CG, as the regulatory frameworks to encourage that broader view do indeed appear limited under the 2006 law.

In concluding the overall research, it can be summarised that in Saudi Arabia, large-scale organisations are focusing on CG and related aspects, and are making efforts to enhance their organisational image. However, these companies are lacking in various aspects of CG, which are has a negative influence on their image. Therefore, the organisations in Saudi Arabia must focus on revising their strategies and following effective CG practices, which can have the benefit of improving their corporate image. It is however extremely notable that this argument still centres around the benefit of PR for the shareholders rather than CG as a limiter on boardroom decisions. This is closest to the shareholder value theory, and it is perhaps unsurprising that, absent societal or regulatory incentives, shareholders would seek to encourage this mindset.

6.4. Contributions

This study could play a positive role in promoting CG and delivering literature support to future research in the same area. It also highlights some of the major attributes of CG that should be noticed by Saudi Arabia in order to promote the sustainability of CG standards and actions. The specifics of the contributions are described below in their either theoretical or practical context.

6.4.1 Theoretical

This research can provide the reader with details regarding the theories and models related to CG practices. In addition, the thesis presents compelling evidence that the implementation of CG standards in KSA is significantly limited when compared to many surrounding states, investigating the role of transparency in local corporate and management culture and offering an explanation that is based both on existing incentives and local management culture.

However, the main theoretical contribution of this work involves the conceptual method that was devised and deployed. The results of the interviews and surveys and their general agreement with the secondary data collection analysis demonstrated the usefulness of not only this general type of the mixed method analysis but the specifics of using the individual pillars as a means to investigate CG. In this context, other researchers should now be able to apply this method to other developing countries both inside the Gulf States and possibly beyond. Additionally this conceptual method and its various components to look at other companies within the KSA and as a means for conducting either a longitudinal study or some form of temporal comparison in years to come.

6.4.2 Practical

The main practical contributions of the work relate to an assessment of the current level of GC implementation, the comparative analysis of that implementation within three large Saudi organizations, and the identifications of the current limitations and obstacles to further GC adoption.

Firstly, the findings suggest that Saudi Arabia needs to implement strong policies for the support of CG. So while, it may be argued that recent polices have been strong, more is needed. However, within this continuing transitional period, the state must also be lenient in compliance with rules and regulations for the ease of managing CG.

Secondly, what was also found was that there was often a mismatch between an organization's stated goals and objectives, their organisational structure, and their level of communication. Through the secondary and qualitative analysis, it was found that communications and organisational structure based on a company's objectives and modes of work were important factors for the progress of CG and for the stability of CG in the company.

Thirdly, CG adoption my be highly uneven between pillars even within a single organization

Fourthly, the research found that there is an essential need for diversification from an oil-based economy to a business economy for the future progress and planning of Saudi Arabia. With efficient use of natural resources along with the management of price fluctuations in the oil industry, the scope for progress for Saudi Arabia increases greatly. Specifically Saudi Arabia needs to focus on supporting small businesses in order to bring in investments for the country.

Fourthly, the thesis provides details regarding for various organisations that are following CG practices. By considering the three cases explored herein, other organisations can investigate various ways through which large-scale organisations can improve their operations by using CG practices. KSA financial organizations provide particularly good examples of this. Specifically, through studying the information regarding the CG practices adopted by these financial institutions, readers can consider the key indicators that result in organisational success.

Examining this in the light of relevant literature and the considerations in chapter 1, it is apparent that some level of deficit in Saudi law does exist; the very fact that SAMA exceeded the CG quality of the private sector organisations studied when SAMA do not require access to external finance suggests that many of the investor-driven pressures to adopt good CG practices do not seem to be fully operating in the KSA market. Given that the pressures in the KSA market from investors are similar to those regional investors investing in Kuwait, Bahrain and Oman, the weakness of the 2006 regulations appears to be playing a somewhat detrimental role.

As noted initially in this thesis, Mayer's view of CG as something that ‘is concerned with ways of bringing the interests of investors and manager into line and ensuring that firms are run for the benefit of investors’(1998, p. 237) can be contrasted with the claim of Keasey et al. (1997) that the core of CG entails ‘the structure, processes, culture and systems that engender the successful operation of organisations’ (p. 2). Both of these definitions do not allow for the implementation of the 2006 regulations to to be viewed as an unalloyed success, and the finding of the UK Financial Reporting Council in the UK that the law can impose basic standards that are then implemented and expanded on by codes of practices (FRC, 2011) may offer an explanation for why the comparatively lackadaisical adoption of the 2006 law has not resulted in the step change in GC attitudes that were envisioned.

Additionally, the literature review in this study provides in-depth details regarding the involvement of board members and management staff in the success of the company. Therefore, top management of various companies can explore how companies can involve the management in the decision-making process in order to avoid conflicts and focus on systematic decision-making. Similarly, this research could also contribute to enhancing the performance of employees by considering how best to build relationships with stakeholders and how to focus on partner-style relationships for further business growth. Moreover, the disclosure and transparency aspects discussed in the research also provide benefits in analysing the use of transparency in the business. Hence, large-scale organisations can gain insight regarding the importance of information transparency, which can benefit companies in following good CG practices.

It is specifically recommended that the Saudi 2006 legislation is revised to increase statutory penalties, as the adaptation of CG has not followed the Mayer model where market forces mean that the FRC assumption that investors and regulators can influence companies into following codes of practice can be assumed in the Saudi market.

6.5. Limitations

The limitations of the study firstly involved time constraints in terms of the data collection and analysis based on secondary, qualitative and quantitative data. However, there were also other limitations such as the availability of data. Most of the data was not available online and thus, the secondary and qualitative analysis faced problems with data collection. In the qualitative data collection, interviews were conducted on the basis of appointments, and so time management and the availability of the interviewee were also part of the limitations. In the quantitative analysis, the data management and data pooling along with the test analyses were also limited by the questionnaire survey. The respondents were treated equally, but ethical considerations and the availability of the respondents were also constraints for the study. Whilst conducting the quantitative analysis, the limited sample size and understanding the statements were also limitations due to the personal views of the respondents. Along with all these limitations, ethical limitations were also present, such as data plagiarism and limitations in the data collection process. Whilst collecting data from the respondents, the type of data and the cross-sectional nature of the data were also limitations, since it does not support generalisability to the utmost.

The possibility of human error may also be considered a limitation of the study. In terms of qualitative data collection, the limitations included not digitally recording the data, which made data analysis difficult. The disclosure of corporate information and the information of the respondents were also limitations, since it made the data analysis and the validity of the data difficult. Finally, the generalisability of the data and lack of research in this area, especially with regard to Saudi Arabia, also served as limitations of the study.

6.6. Recommendations for Corporate Governance in Saudi Arabia

There are several recommendations for Saudi Arabia on basis of CG and the global perspective analysis. The quantitative analysis also gave some ideas for more recommendations. With the help of this study, it was concluded that Saudi Arabia is still progressing in terms of CG management; therefore, it needs to manage its resources and investments wisely.

Again, we can evaluate this driver on the basis of the theoretical claim provided by Mayer (1998, p. 237) claim that CG 'is concerned with ways of bringing the interests of investors and manager into line and ensuring that firms are run for the benefit of investors', compared to the Keasey et al. (1997) claim that it is defined by 'the structure, processes, culture and systems that engender the successful operation of organisations' (p. 2). Both of these factors are partially driven by the need for FDI, and ironically it is probable that the 2006 law is implemented in a relatively lax way in the private sector due to the resource economy that currently exists. It is notable that in jurisdictions such as Dubai where less of the economy is resources based, many of the real-world GC measures and practices that are not followed in KSA and are not explicitly required by Dubai law are followed due to the market forces provided by a sophisticated investor class. It has been noted in this thesis that many KSA firms are still family based, and it is possible that these investors are able to discover company management changes and other transparency information via informal and/or social methods. The damage to many KSA firms may thus be limited by the social and informal ties to a wealthy local investor class that often invest based on family or friendship links.

The need to seek external capital thus offers KSA the prospect of a rather virtuous circle, where the ability of business to adopt good GC measures is driven partially by the move away from an informal and locally liquid set of lenders. The move away from a resource-driven economy may thus unlock the skills required to compete without that economic crutch. In this light, the case of Dubai is rather instructive; the need for Dubai to create business value for foreign companies as a place to base themselves and to engage in FDI has created a competitive and transparent business environment that has also lead Dubai to be extremely economically competitive within the region. This would also tend to address the skills gap; given that the literature identifies skill isusues within the Saudi economy, the ability to compete with UAE and other countires also enables Saudi firms to attract professionals from outside of the KSA whilst skilling up internally.

This is the way in which Saudi Arabia could gain more success and investments based on CG rules and standards. The company operations of the established organisations in Saudi need to be more professional based on transparency and information sharing. This is because, through qualitative and qualitative analysis, the importance of transparency in the management of CG was analysed. This showed it has a strong impact on large-scale organisations. Another recommendation is to ensure that large-scale organisations comply with rules and regulations in their processes. Recommendations for further analysis of the study include CG impact at the global level, since it has been observed in the secondary analysis and qualitative analysis that the global perspective on CG also has a great deal of impact on the progress of the country. It is the global image of the country that brings in foreign investments and new businesses. The performance of companies and governmental support could also be researched for future evaluations of CG in the country.

6.7. Future Scope of Research

In future, researchers will be able to expand this study into the CG framework. Based on the CG framework, researchers will be able to explore the importance of the board of directors and committees in an organisation, the legal and regulatory requirements of an organisation, business practices and ethical standards, communication, risk and performance management, monitoring, and transparency and disclosure. Therefore, based on these variables, researchers will be able to identify the practices adopted by companies in order to focus on good governance practices. In addition to this, researchers will also be able to expand this research into exploring the impact of CG on employee satisfaction. Therefore, exploring the influence of good governance practices on business image can be investigated further. This research can also be studied in terms of certain specific cases. The research can compare two or more companies from other countries that focus highly on CG practices. Based on this, the comparison can be made and the application of various strategies, tools and techniques used by companies can be evaluated further. Researchers may also discuss aspects of corporate citizenship and corporate social responsibility in order to explore the overall market position of a company in the global market. In this way, the importance of CG practices, which result in enhancing the global position of a company in the international market, can also be studied.

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Appendix C: Questionnaire

1. **Gender**

Male □

Female □

Please indicate your age range below

2. **Your age group**

20 to 29 Years □

30 to 39 Years □

40 to 49 Years □

50 and Above □

3. **How long have you been working in the organisation?**

Less than 1 year □

1 to 5 Years □

5 to 10 years □

More than 10 Years □

If you are willing to be contacted for follow-up research in this area, please write down your contact details:

Email: ____

Postal address: ____

		Strongly Disagree	Disagree Moderately	Disagree Slightly	Neither Agree Nor Disagree	Agree Slightly Slightly	Agree Moderately Moderately	Strongly Agree
Corporate Governance								
1	The organisation is controlled based on rules and regulations							
2	Due to corporate governance the organisation is balancing the interest of stakeholders							
3	The company objectives are achieved based on standardized guidelines							
4	Performance measurement is done through benchmarking indicators							
5	The organisation strictly focuses on the disclosure of information							
Valuing Stakeholders								
6	The maximization of interest results in enhancing the value of employees, customers, the community and shareholders							
7	The core concern is given towards enhancing skills and in order to ensure employee satisfaction							

8	The organisation focuses on community development in order to maximize the satisfaction level of society							
9	Costs are minimized and wastage is reduced, which results in a more efficient operation							
10	The compliance of business practices with best governance practices results in valuing the rights of stakeholders							
Securing Stakeholder Interests								
11	**The disclosure of information from each and every members helps to secure the interest of all people**							
12	The organisation follows fair practices							
13	The first priority of business is toward maximizing profit, but within fair practices							
14	The usage of fair and ethical business practices results in favouring the interest of stakeholders							
15	**Safe and sound decisions are taken by managers, which aims to protect the rights of all stakeholders**							
Maintenance of Corporate Image								
16	Corporate image is maintained by internal consistency							
17	The organisation follows ethical guiding practices for gaining strong market shares							

18	Standardised practices are defined by SOP, which results in enhancing the business' image in the market							
19	The organisation follows corporate social responsibility practices in order to gain the trust of the community							
20	The processes and procedures followed by the organisation are in accordance with environmental protection rights							
Delegation of Power								
21	The organisation encourages the delegation of authority for the sub-allocation of power							
22	The managerial staff are highly responsible for decision-making authority and for the allocation of resources							
23	The duties and responsibilities of each member of the organisation is well defined in their job description							
24	The managers are allowed to command subordinates for the completion of any task							
25	The delegation of authority is based on top to bottom flow							
Avoidance of Conflict Issues								
26	The roles in the organisation are clearly defined							
27	Transparency in decision-making results in reducing conflict							
28	The rights of stakeholders are							

	protected							
29	The management and employees are involved in the decision-making process in order to avoid conflict							
30	The conflicts in the company are reduced through dialogue~~s~~							
Adequate Resource Movement								
31	**The movements of resources are systematic in order to maintain the flow of activates**							
32	The systematic flow of resources helps in achieving business goals effectively							
33	Resources are allocated accordingly							
34	Resources are allocated after considering the impact on different stakeholders							
35	The board members and stakeholders are building effective relationships in order to ensure the right movement of resources							
Transparent Business Functioning								
36	The decisions made by the organisation are transparent							
37	Internal and external stakeholders are provided with adequate information							
38	The organisation provides all the details regarding its business operations in its sustainability reports							
39	**The organisation focuses on the accurate and timely disclosure of**							

	information							
40	Internal information regarding business policies and decision-making is shared with employees, shareholders and customers							
Partner-Style Working Relationships								
41	A strong relationship is maintained based on interpersonal relationships							
42	A direct relationship is encouraged among partners							
43	Information sharing is acknowledged among team members							
44	The working relationship is based on mutual respect							
45	The management teams act as leaders in order to make strategic decisions							