
UNIVERSITY OF GLOUCESTERSHIRE

The Impact of Saudi Arabian Culture on Minority Shareholders' Rights

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By

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This thesis is dedicated, with my profound love and everlasting respect, to my mother who, for 15 years being overseas, has believed in me and generously sacrificed so much to the point where my wellbeing and potential was far greater than hers. She got me to the point where I had to ask, why? And she simply replied no one knows your potential better than “the person who has enjoyed your intellectual abilities at an early age”. I will never forget the great woman behind all successes I have achieved and will accumulate in life, If God wills.

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ABSTRACT

The aim of this research study is to examine the impact of Saudi Arabian culture on corporate governance (CG) and its regulatory compliance with respect to the protection of minority shareholders' interests. The protection of minority shareholders is a primary concern in the area of CG and particularly as defined by the Organization for Economic Co-operation and Development (OECD) principles. In Saudi Arabia, CG is a newly introduced regime. Its set of CG principles was initially issued after the first market crash in 2006, which signified the need for appropriate CG standards in Saudi Arabia because minority shareholders suffered catastrophic losses. Moreover, CG legislation in Saudi Arabia is still slowly moving from voluntary to obligatory because family-owned firms, which is the dominant form of incorporation, are stifling corporate growth by their reluctance to open their equity to outside shareholders, as argued by the OECD report of Koldertsova (2011). Hence, the conceptual framework for understanding how Saudi Culture affects minorities is based upon Hofstede's (1980-2010) *Cultural Value Dimension (CVD)* model linking societal constructs with the legal and political milieu. Thus, this research sets out to examine this link in relevance to Saudi Culture. In addition, this undertaking will extend, via the second research question, to uncover other factors, such as the legal and political, influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholder rights.

The findings of this study provides significant correlations between each of Hofstede's CVDs: *Individualism, PowerDistance, Uncertainty Avoidance, Femininity, and Long Term Orientation* and the quality of the exercise of minority shareholders' rights as defined by the OECD's principles of CG in Saudi Arabia. Moreover, the distribution of each CV dimension was found not to be the same when comparing groups of Majority and Minority shareholders. Hence, the significant correlations expose two different subcultures: an active culture pertaining to Majority shareholders and a passive culture pertaining to Minority shareholders in Saudi Arabia. Moreover, the current legal environment guiding the CG procedures in Saudi Arabia was found to attach a low level of significance to minority shareholders in terms of: ease of litigation, establishment of specialised courts, appointment of competent qualified judges in CG commercial cases, and creation of awareness programmes for minority shareholders' rights. In addition, the lack of a solid constitution was found to weaken popular pressure to safeguard shareholders' rights and promote a block-holding model of corporate control. Hence, due to governmental institutions falling short on their responsibilities, Saudi controlling families can practically be considered as an institution, as indicated by *Institutional Theory*, and this familial institution is likely to continue to manifest itself in the governance of emerging economic systems such as Saudi Arabia's as its survival is dependent on the institutional context.

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List of Abbreviations

CG: Corporate Governance
CVD: Cultural Value Dimension
SCL 1965: Saudi Company Law of 1965
OECD: Organization for Economic Co-operation and Development
MENA Region: Middle East and North Africa
SMCI: Saudi Ministry of Commerce and Industry
SAA: Saudi Accounting Association
SOCPA: Saudi Organization for Certified Public Accountants
SCMA: Saudi Capital Market Authority
SCC: Saudi Consultative Council: (**SHURA**)
SCGRs: Saudi Corporate Governance Regulations
AGM: Annual General Meeting
SHEC: Saudi Higher Economics Council
LLSV: La Porta, Lopez-de-Silanes, Shleifer, & Vishny
OIE: Old Institutional Economics
NIE: New Institutional Economics
PCA: Principle Component Analysis
KMO: Kaiser-Meyer-Olkin
IND: Individualism
COL: Collectivism
PD: Power Distance
UA: Uncertainty Avoidance
MAS: Masculinity
FEM: Femininity
STO: Short Term Orientation
LTO: Long Term Orientation
EN: Enint
SNT: Social Network Theory

Chapter One: Introduction and Overview of the Study

1.1 Introduction

The dominant western perspective, as articulated by La Porta, Lopez-de-Silanes, Shleifer and Vishny (2000), is that the legal system is crucial in understanding the role of corporate governance (CG) in protecting minority shareholders' rights. In addition, the role of CG in protecting minority shareholders' rights is often viewed in light of *Agency Theory*, the dominant theory used in accounting literature where relationships are defined as a nexus of interpersonal contracts, which in the area of CG is assumed to exist between investors and managers (La Porta et al., 2000). Where minority rights are strongly protected in law, this theory illuminates many of the problems confronted by firms and their investors (La Porta et al., 2000).

However, *Agency Theory* breaks down where there is a lack of homogeneity in organisational structures and the interests of individual stakeholder groups, as found worldwide (Crossland & Hambrick, 2007). For example, the dominance of family controlled corporations around the world, especially in emerging markets such as Asia, calls for a new theory to investigate the concerns of minority shareholders in those markets. Hence, exploring the agency theory conflict of relationships from a cultural perspective might suggest to be more universally applicable (Crossland & Hambrick, 2007). "Efforts to change corporate governance practices around the world are best informed by an appreciation of cultural as well as institutional factors" (Daniel, Cieslewicz & Pourjalali, 2012).

Even though law practitioners and scholars seem to overlook the importance of culture on laws and enforcement, there is a growing awareness among them regarding the relevance of national cultures to CG practices around the world. This can be clearly seen in the recent, but still little, amount of work that has been done in CG in relation to cross cultural psychology by law practitioners. "As cultural values shape and inform people's internal utility functions, the theory of cultural value dimensions takes social norms analysis one step ahead...by providing an empirically validated framework with which to account for social phenomena that are otherwise difficult to reconcile with standard micro-economic predictions" (Licht, 2001).

Hence, *Cultural Theory* of CG, based on the CVD framework, has addressed fundamental issues like shareholding structures, the regulations of self dealing, insider trading and disclosure in previous research, such as La Porta et al., (1999; 2000; 2002). Moreover, the findings of Licht et al. (2005) present a strong association between statutory law and culture, specifically in the context of CG in the area of investor protection.

1.2 Research Problem

In Saudi Arabia, Corporate governance is a newly introduced regime. Its set of CG principles was initially issued in 2006, after the first market crash in 2006, as this crash signified the need for appropriate CG standards in Saudi Arabia (Al-Zahrani, 2013). After the first and second market crashes in 2006 and 2008 (Al-Twajjry, 2012), adherence to CG principles was made obligatory in 2010 (Al-Zahrani, 2013). Nevertheless, CG legislation in Saudi Arabia is still slowly moving from voluntary to obligatory because family-owned firms, as argued by Koldertsova (2011), are stifling corporate growth by their reluctance to open their equity to outside shareholders.

The dominant form of incorporation, in Saudi Arabia, is a family-controlled block holding and such corporations are slowing the growth of the CG's regulatory compliance framework (Koldertsova, 2011). Minority shareholders have suffered catastrophic losses from initial Public Offers, in 2006 and 2008, and Saudi CG regulations are still adhered to on a 'comply or explain basis' (Al-Zahrani, 2013). As a result, protections for Saudi shareholders, "even in accordance with SCL [Saudi Company Law of 1965] are weak; this law does not provide shareholders with all the rights that they should enjoy. Thus, minority shareholders are often subject to the control of majority shareholders, who are generally in charge of the company's management" (Al-Zahrani, 2013). Hence, the protection of minority shareholders (being those who do not have a controlling influence in the firm) is a primary concern in the area of CG and particularly as defined by the Organization for Economic Co-operation and Development (OECD) principles.

Limited literature is available in regard to the link between available cultural models (for example, Hofstede, 1980) and the quality of the exercise of minority shareholders' rights as defined by the OECD principles of CG. Thus, this research sets out to examine this link in relevance to Saudi Culture. In addition, this undertaking will extend, via the second research question, to unveil other factors, such as the legal and political, influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholder rights. Potential findings will contribute to understanding of the influence of cultural values on CG practices across countries of similar culture, with particular reference to the protection of minority shareholders' rights.

In addition, it should be noted that the complexity of the Saudi political, legal and religious environments need to be navigated with great care and in the discussion of this thesis – the researcher is endeavoring to be a fair writer to the truth while recognising differences in views.

1.3 Motivation for the Topic

“We needed people with vision prepared to make investment in governance because the long term returns are worth it” (Deane, 2006). Research into the field of Corporate Governance (CG) has gained prominence not only for the sake of producing accurate financial data, but also in promoting responsible work ethics for healthier work and social environments. CG is no longer a voluntary process handled solely by participating companies, but rather has transcended into a compulsory compliance regime driven by national governmental agencies and sophisticated global stakeholders (Talamo, 2011). Previously, CG was considered an externally imposed obligation for listing and continuation. However, care shall be exercised by the researcher when compliance for the sake of ‘legitimacy’ in the form of ‘de-coupling’ is witnessed due to prevailing cultural aspects affecting the process of compliance with OECD principles pertaining to minority shareholders. De-coupling is “a separation between external image [pretentious compliance] and actual structures and procedures [benefiting major shareholders] (Weick, 1976; Meyer and Rowan, 1977; Meyer and Scott, 1992)” (Hoque, 2006, p.187).

In addition, Rossouw and Sison (2006) state, “corporate governance regimes around the world shaped by different sets of cultural values, are also divided with regard to the question: for whose benefit should corporations be governed?” Therefore, legal and political factors should be considered when undertaking such research to unveil other factors influencing the level of compliance of listed corporations with CG principles pertaining to the protection of minority shareholders’ rights. Nevertheless, it should be clear that corporate governance is “to a large extent, a set of mechanisms through which outside investors protect themselves against expropriation by the insiders: managers and controlling shareholders” (La Porta, Lopez-de-Silanes, Shleifer & Vishny, 2001). Therefore, principles of CG raised in the Cadbury report and legislated in the OECD principles of 2004 have been put in place by the international accounting profession to ensure that a high level of compliance with CG standards is capable of protecting all types of shareholders.

However, such protection have not been intangibly noticed nor tangibly witnessed by the researcher in Saudi Arabia before and after the market crashes of 2006 and 2008. Moreover, the impact of Saudi culture on CG has not been thoroughly researched in terms of protecting minority shareholders’ interests in a highly-networked market of a developing country such as Saudi Arabia.

1.4 Theoretical Framework:

The association between economic development and national cultures is becoming increasingly important. It has been investigated whether or not national cultures' distinctive traits can explain the variations in the "resource allocation efficiency" and "wealth distribution" in worldwide societies (Dodor & Rana, 2007). In fact, Dodor and Rana (2007) found that their statistical results confirmed the argument that culture traits do matter in economic development when national cultural dimensions such as *Individualism*, *Power Distance*, *Uncertainty Avoidance*, *Masculinity*, and *Long Term Orientation* are used.

Hence, Cultural Value Dimension (CVD) models such as Hofstede (1980) promise to advance our understanding of the relations between social norms, culture, and law (Licht, 2000). Moreover, value dimension frameworks such as Hofstede's (1980) are capable of providing a rigorously suitable means to explore the causality between national cultures and the quality of the application of CG principles. Not only that, but it also "provides a theory-driven, universally validated operationalisation of fundamental societal orientations and enables us to derive and empirically test hypothesis about relations between national culture and corporate governance" (Breuer & Salzmman, 2012). In fact, the findings of Licht et al. (2005) present a strong association between statutory law and culture, specifically in the context of CG in the area of investor protection.

In addition, the effect of a national culture on the application of CG principles is in part due to cultural values motivating policy makers and special interest groups to preferably undertake specific corporate governance arrangements (Breuer & Salzmman, 2012). These arrangements are more likely to be correspondents to dominant cultural values. For instance, feminine orientated cultures are more inclined to improve their CG than highly masculine ones on the basis of their care for others. Therefore, it is expected that "high masculinity societies are less likely to protect minority shareholders" (Griffin, Guedhami, Kwok, Li & Shao, 2014).

Hence, Hofstede's (1980) CVD model has the explanatory power to unveil differences in CG worldwide, reflecting prevailing cultural values (Chan & Cheung, 2012). Specifically, it is common to realise weak minority shareholders protection and a low level of CG compliance in emerging markets characterised as high on *Power Distance*, *Collectivism*, *Uncertainty Avoidance* and *Masculinity* (Rafiee & Sarabdeen, 2012). In fact, the nature of causality is found to be long term driven and responsible for shaping institutions and CG practises (Williamson, 2000; Licht, 2000). Therefore, there is no doubt that "national culture is an essential determinant for the design of corporate governance systems" (Breuer & Salzmman, 2012). For example, as noted by the OECD report of 2011 by Koldertsova, "the

disclosure-averse culture in the [Middle East and North Africa] region, where controlling shareholders have often been reluctant to divulge operational or financial details of their business, has contributed to the general lack of transparency in the corporate sector”.

Moreover, the institutional environment is found to mediate the relationship between national cultures and CG (Daniel, Cieslewicz & Pourjalali, 2012). Specifically, the four Hofstede dimensions: *Uncertainty Avoidance*, *Power Distance*, *Future Orientation* and *Performance Orientation*, are found positively related to the institutional environment in any given society (Daniel et al. 2012). The empirical findings of Daniel et al. (2012) show how certain cultural components impact CG indirectly through their influence on the elements composing the institutional environment. Daniel et al.’s study also implies that CG regimes around the world should reflect the cultural values of a given society in order to operate efficiently. Otherwise, policy makers will misleadingly keep on implementing CG codes of best practice superficially without adjusting the institutional environment to support further improvements in accordance with prevailing cultural values (Davies & Schlitzer, 2008; Denis & McConnell, 2003; Mintz, 2005; Pedersen & Thomsen, 1997; Young, Ahlstrom & Bruton, 2004).

The legal environment can be seen as a potential agency cost as it serves the purpose of powerful parties at the expense of others. In fact, in a mathematically-theoretical study set to uncover the relationship between this type of agency cost and how it operates in relation to concentration of ownership and control, it was found that this cost was as real as any other costs (Jensen & Meckling, 1976). "The level of agency costs depends, among other things, on statutory and common law and human ingenuity in devising contracts"(Jensen & Meckling, 1976). In fact, this agency cost is very recognisable in listed Saudi corporations as their issues with CG compliance and disclosure procedures partially stem from the highly concentrated ownership structures found within these corporations (Koldertsova, 2011; Al-Zuhair, 2008). Moreover, the determinants promoting or influencing these concentrated ownership structures in Saudi Arabia are not clear: families own 75% of listed companies, while government and individual founders own just 25% of listed companies (Al-Zuhair, 2008). In addition, CG legislation in Saudi Arabia is still slowly moving from voluntary to obligatory as family-owned firms, as argued by Koldertsova (2011), are stifling corporate growth by their reluctance to open their equity to outside shareholders.

In addition to that, the political literature on CG is seen as the bridge between the legal rules and economic developments. Hence, some political theories have been proposed to explain CG. For instance, Pagano and Volpin (2005) analyse the political determinants of investor protection and propose a model of the political determinants of the degree of shareholders’ protection using a sample of 45 countries plus the 21 OCED countries of 2005. Their findings revealed the following:

1. Under *Proportional Voting Systems*, winning majority votes means winning the election, the political consequence is a low degree of shareholder protection. Nevertheless, this proportional voting system provides, "a high degree of employment protection-benefiting entrepreneurs and workers and damaging outside shareholders" (Pagano & Volpin, 2005).
2. Under *Majoritarian Voting Systems*, winning more districts means winning the election; the political outcome is a high degree of shareholder protection and low employment protection. Hence, legislation features strong investor protection which leads to an outcome preferred by outside shareholders.

Pagano and Volpin explain the rationale of their proposed model as, "company law can be changed by politicians easily any time: having a political economy model can formalize the behaviour of voters and politicians in response to the economic interest as well as their ideologies" (2005). Moreover, once the concentrated ownership structure transforms into Crony capitalism, uniting both the political and the economic powers, the effect of the law becomes minimal (Coffee, 2001). On the other hand, once the private sector adopts good governance, it will consequently "generate credible signals that investors' rights will be protected, then an equity market can arise, and in time protective legislation will predictably follow" (Coffee, 2001).

Thus, given that the linkage between CG and performance is dependent on the cultural, legal, political and institutional environment of the country concerned, and given the secrecy that surrounds the dissemination of corporate power in Saudi Arabia, quantitative data on compliance is of a very low level and of dubious quality. For example, the empirical relationships between the mechanics of internal CG (board of directors and audit committee characteristics) and performance noted in international studies are not found in listed Saudi corporations (Al-Matari, Al-Swidi, Fadzil & Al-Matari, 2012). In addition, the internal audit function, as a CG mechanism, is found to be concentrated on compliance rather than on performance auditing in Saudi listed corporations, which is designed to enhance organisational legitimacy at the cost of market development (Al-Twaijry, Brierley & Gwilliam, 2003).

Interestingly, the most important piece of information disclosed by most Saudi corporations is the names of powerful individuals in management or in ownership. This is due to the characteristics of the Saudi society in significantly valuing taking prestige from the power of particular individuals, whilst the role of the family is characterised by a high level of secrecy that dominates the regulatory system and the flow of financial information (Al-Nodel & Hussainey, 2010). Moreover, cosmetic accounting practices are common among Saudi listed corporations and unfortunately audit firms comply with their corporate clients' wishes to appear professional and stay in business (Al-Moataz, 2012).

Therefore, it is safer to pursue potential research qualitatively, bearing in mind the assumption that “corporate governance regimes around the world shaped by different sets of cultural values, are also divided with regard to the question: for whose benefit should corporations be governed” (Rossouw, 2009). Hence, factors other than culture, such as the legal and political factors, are crucial to consider as they are found significantly reflective of cultural hierarchies in worldwide comparative studies of minority rights (La Porta et al., 2008; Gourevitch, Pinto & Weymouth, 2010; and Bebchuk, Cohen & Wang, 2013).

1.5 Research Aims

The aim of this research is to examine the impact of Saudi Arabian culture on CG and regulatory compliance with respect to the protection of minority shareholders’ interests. The conceptual framework for understanding how Saudi Culture affects minorities is based upon Hofstede’s cultural model, linking societal constructs with the legal and political milieu.

1.6 Research Questions

Note: As noted by the OECD report of 2011 by Koldertsova, "the disclosure-averse culture in the Middle East and North Africa (MENA) region, where controlling shareholders have often been reluctant to divulge operational or financial details of their business, has contributed to the general lack of transparency in the corporate sector". Hence, my research questions are:

- 1- To what extent do available cultural models (for example, Hofstede, 2010) explain the quality of the exercise of minority shareholders’ rights, as defined by the OECD, in Saudi Arabia?
- 2- What other factors influence the level of compliance of listed Saudi Corporations with the OECD principles with respect to the protection of minority shareholders’ rights?

1.7 Scope of the Study

The scope of this research study is limited to the conceptual frameworks stemming from the literature review conducted. A review of the literature has provided that cultural, legal and political factors are to be considered when assessing the strength or weaknesses of any minority shareholders' protection regime worldwide. Hence, rather than seeking an understanding of the factors influencing the level of compliance of listed Saudi Corporations with the OECD principles with respect to the protection of minority shareholder rights from scratch, critical variable-constructs were chosen from the literature review phase.

Nevertheless, even though some of the conceptual framework adopted for this study is based on prior studies in different contexts, this present research utilises prior studies' concepts in a multi-dimensional framework tailored for the Saudi cultural, legal and political environments. Hence, only applicable variable-constructs from the literature review were chosen to provide a means of comparison between countries of similar culture to Saudi Arabia, in terms of the legal and political factors to be considered when assessing the strength or weaknesses of a minority shareholder protection regime.

The key stakeholders identified for this study's quantitative phase are Majority, Sophisticated, Minority and Non-shareholders of the 161 listed Saudi corporations identified via trading room managers of designated banks where the survey took place. In addition, further internal testing by the researcher was carried on the level of information possessed by participants to justify the classifications, previously aided by the trading room managers (as it became apparent to the researcher that listed corporations tend to inform major investors of their rights more than less-financially significant investors such as minorities). Moreover, the questionnaire was used to validate the literal conceptual framework aimed at measuring the CVD of Saudi shareholders and explore the perceptions of Saudi shareholders regarding the factors influencing their investments.

In addition, the key stakeholders for this study's qualitative phase are commercial lawyers and ex-legislators, which are in line with prior studies' type of targeted stakeholders. The purpose of the qualitative phase was to explore the attitudes, beliefs, and experiences of those stakeholders in regard to the legal and political factors influencing the level of compliance of listed Saudi corporations' with the OECD principles with respect to the protection of minority shareholder rights.

1.8 Research Justification

A primary motive for conducting this research study is the lack of a comprehensive multi-dimensional model showing how culture affects the rights of minority shareholders based upon available cultural models such as Hofstede's, linking societal constructs with the legal and political milieu. There have been a number of studies designed to consider the factors affecting minority shareholders' rights.

Nevertheless, these same studies have only limited their focuses to either a cultural theoretical framework without conducting a quantitative analysis, or focused solely on legal or political reasons.

Moreover, none of these prior studies have examined the impact of Saudi Arabian culture on corporate governance and regulatory compliance with respect to the protection of minority shareholders' interests. Neither has any prior study contributed to understanding of the influence of cultural values on corporate governance practices across countries of similar culture with particular reference to the protection of minority shareholder rights.

Therefore, this study comprehensively addresses this knowledge gap by devising a conceptual framework, incorporating cultural, legal, and political factors, contributing to either the strengths or weaknesses of a minority shareholders' protection regime as a case study. Hence, this framework will contribute to a greater understanding of the influence of cultural values on CG practices across countries of similar culture with particular reference to the protection of minority shareholders' rights. Therefore, this is the first study to be conducted in such a context.

1.9 Research Methodology

There is no single research methodology that is better than any other (Benbasat, Goldstein & Mead, 1987). Hence, after developing the conceptual framework via a traditional literature review, a research design incorporating both quantitative and qualitative approaches was chosen to achieve the overall aim of this research. Both methodological approaches were employed in succession. Hence, results of the quantitative phase partially informed the qualitative phase; however, its variable constructs were mainly derived from the relevant literature. The logic behind the employment of both quantitative and qualitative methods was due to initially avoiding a common method bias, and eventually ensuring potentially emergent insights from the quantitative phase to be included into the variables of the qualitative phase. In addition, the qualitative phase is meant to corroborate the quantitative phase of this study.

The quantitative data analysis phase aimed to achieve the first objective of the study, which is to explore the extent that available cultural models (for example Hofstede, 1980) can explain the quality of the exercise of minority shareholders' rights as defined by the OECD principles in Saudi Arabia. Therefore, the quantitative data were analysed using both descriptive analysis followed by inferential analysis via the Statistical Package for the Social Sciences (SPSS) software.

In succession to the quantitative phase, a qualitative approach was employed to achieve the second objective of this research, which is to investigate other factors, legal and political, influencing the level of compliance of listed Saudi Corporations with the OECD principles with respect to the protection of minority shareholders' rights. Therefore, the ethnographic approach pertaining to the concept of thick description was employed to help explain both the behavior and its context (Greetz, 1973).

Moreover, the qualitative data analysis was then performed, initially using a functional analysis process followed by an interpretive analysis process designed to analyze the data produced by the semi-structured interviews (Schulz, 2012). Coding and themes were pre-constructed via the literature review. Hence, there was no need to use a qualitative software or a manual technique to establish them. Nevertheless, a few emergent themes were captured through the relational analysis regarding new

concepts. Relational analysis is a part of the interpretive analysis involved in identifying concepts and exploring relationships between concepts.

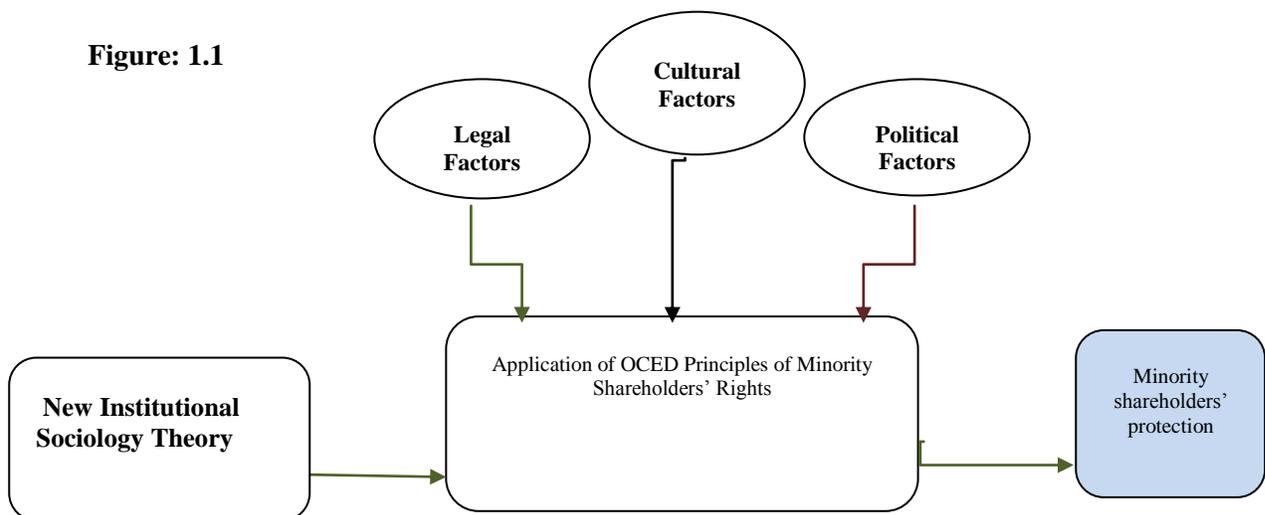
1.10 Contribution of Research

This research contributes to understanding of the influence of cultural values on CG practices across countries of similar culture with particular reference to the protection of minority shareholders' rights. The protection of minority shareholders (being those who do not have a controlling influence in the firm) is a primary concern in the area of CG, particularly as defined by the Organization for Economic Co-operation and Development (OECD) principles.

Hence, this is the first study that investigates the OECD principles of CG pertaining to the rights of minority shareholders from a cultural perspective using Hofstede's (2010) CVD model. Moreover, this study unveils significant correlations between each of Hofstede's CVDs and the quality of the exercise of minority shareholders' rights, as defined by the OECD principles, in Saudi Arabia. In addition, this study explores in depth the legal and political factors influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders' rights. In fact, this study is the first attempt to look into the issue of minority shareholders' rights stemming from the legal and political factors in Saudi Arabia from a CG perspective.

Overall, this study provides a multi-dimensional framework for assessing CG regimes in developing countries such as Saudi Arabia in light of minority shareholders' rights by integrating cultural, legal, and political factors.

Figure: 1.1



Source: The Author

Such integration is motivated by the gaps found between those disciplines in the relevant CG literature. For example, cultural theory of CG based on the CVD framework has addressed fundamental issues pertaining to minority shareholders such as shareholding structures, the regulations of self dealing, insider trading and disclosure in previous research. Hence, Hofstede's (2010) CVD model will account for social norms and their relations with the law in terms of CG as it has been suggested to be beneficial (Licht, 2001). Thus, value dimension models such as Hofstede's (1984) offer the promise of advancing understanding of the relations between social norms, culture, and law (Licht, 2000).

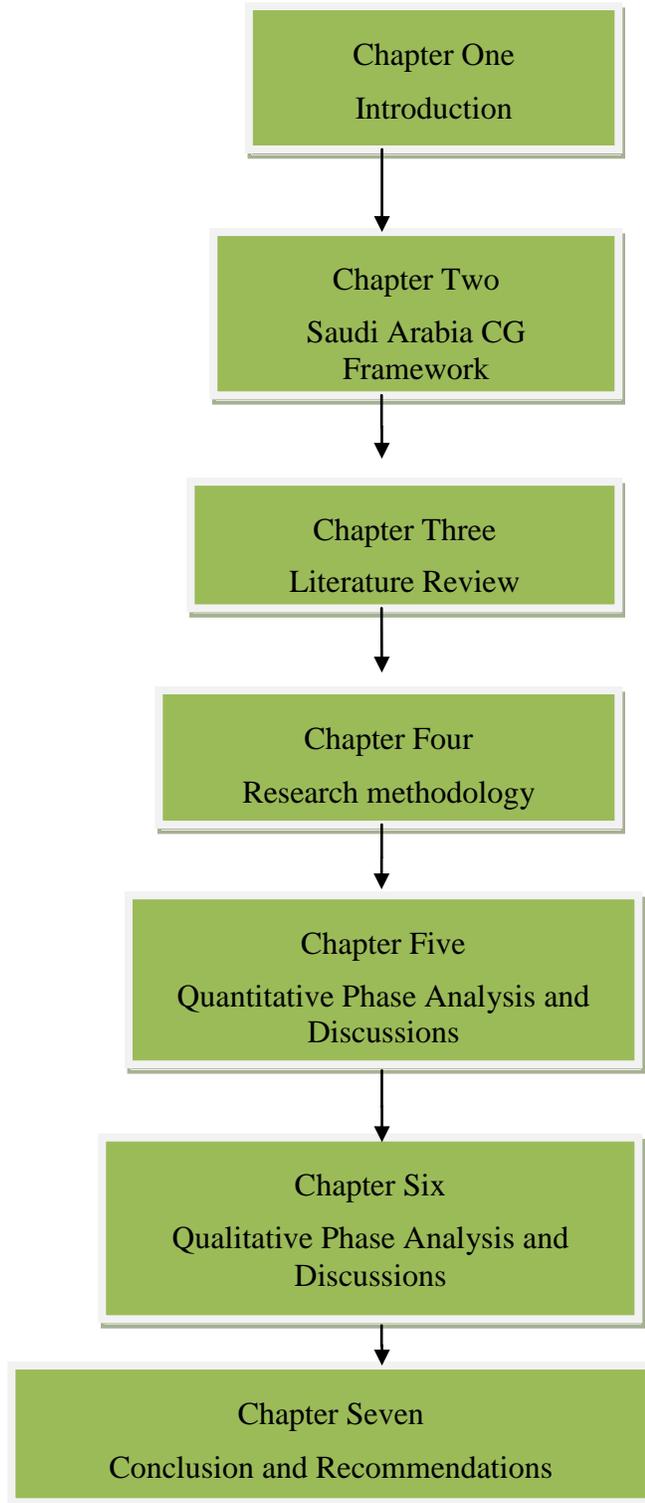
Moreover, the legal scholars are focused on the dichotomy between dispersed and concentrated ownership structure. Hence, they view the legal protection for minority shareholders as the significant variable underlying the growth of 'viable' securities markets (Coffee, 1999). Hence, facilitating a dispersed ownership structure is more likely to produce desirable social and political consequences in the long run (Coffee, 1999). In addition, politics shape the laws and conditions under which companies operate (Gourevitch, 2003). Moreover, managers and owners around the world behave differently, assuming identical bodies of law, depending on various claims derived from politics (Gourevitch, 2003). Hence, politics should be integrated into the way such disciplines as law, economics, sociology and culture can explain governance on a country case basis (Gourevitch, 2003).

"The various authors in this debate know too much to deny altogether the relevance of each others' variables: Politics, law, judges, the role of the state, norms, private mechanisms, and path dependence appear in all of their writings. They differ in how these variables act in a causal sequence and how they are privileged relatively in a model" (Gourevitch, 2003).

Therefore, future researchers can take advantage of a multi-dimensional approach for further CG studies in developing countries.

1.11 Thesis Chapters:

Figure 1.2



Source: The Author

1.12 Thesis structure

The thesis is divided into seven chapters, which have been structured as follows:

CHAPTER ONE: INTRODUCTION AND OVERVIEW OF THE RESEARCH STUDY

This chapter presents the research background, motivation for the topic, the research problem, and a justification for the research. The two research questions mapping the research objectives are established along with a clarification of the scope of the study. Brief explanations of the research theoretical framework, research methodology, and significance of the research are outlined.

CHAPTER TWO: SAUDI ARABIA CG FRAMWORK

This chapter introduces the CG legal and regulatory framework in Saudi Arabia. It outlines the historic and current efforts to reform the CG regime in Saudi Arabia. This chapter identifies the key players in the development of the CG regime in Saudi Arabia. The chapter begins with an overview of the CG legal system.

CHAPTER THREE: LITERATURE REVIEW

This chapter outlines three sections of results of the traditional literature review process, namely: the culture, legal, and political sections. Comprehensive reviews of relevant studies, stemming mostly from formal literature and partially from grey literature, are discussed. This chapter draws attention to the main debates concerning the rights of minority shareholders among cultural, legal, and political scholars and identifies gaps in the relevant literature in this regard.

CHAPTER FOUR: RESEARCH METHODOLOGY

This chapter presents the main theories employed by this research and the methodologies employed to investigate the theoretical framework. Justification for the use of an interpretive case study approach as well as the two-data collections approaches, quantitative and qualitative, are illustrated.

CHAPTER FIVE: QUANTITATIVE PHASE ANALYSIS AND DISCUSSIONS

This chapter presents the empirical results of the quantitative phase and illustrates the adopted statistical analysis techniques. Also, this chapter details preliminary analysis carried out initially, descriptive analysis, and the inferential statistical analysis of each hypothesis testing regarding the cultural factors along with their appropriate techniques. Then, this chapter ends by discussing the findings of the quantitative phase with reference to relevant studies identified in the literature.

CHAPTER SIX: QUALITATIVE PHASE ANALYSIS AND DISCUSSION

This chapter presents the results of the qualitative phase and details the analysis of the interviews along with techniques used in the process. Also, the chapter highlights insights relating to legal and political factors. Finally, this chapter concludes by discussing the findings of the qualitative phase with reference to relevant studies identified in the literature.

CHAPTER SEVEN: CONCLUSION

This chapter presents the overall conclusion of the thesis with a particular reference to both research questions. Also, this chapter illuminates the contributions of this research. Moreover, the chapter ends by highlighting the limitations of this research study along with its implications for policy makers, and future research.

2. Chapter Two: Saudi Arabian CG Framework

Introduction:

In order to answer the second research question of this thesis regarding the other factors such as the legal that influence the level of compliance of listed Saudi corporations, a walk through the CG legal and regulatory framework in Saudi Arabia is considered appropriate at this stage of this thesis's development. Hence, the aim of this chapter is to outline the historic and current efforts to reform the CG regime in Saudi Arabia, and identify the key players in the development of the CG regime in Saudi Arabia. Hence, such proceeding will contribute largely to the following chapter, chapter 3: literature review, regarding the legal literature in terms of what the Saudi legal environment is lacking to improve its CG legal framework.

The Saudi accounting profession is relatively young compared to western accounting professions. The time of its birth dates the period of 1950 to 1965 and foreign licensed firms began work in the country after 1955 (Al-Zaid, 2012). However, due to the lack of an existing accounting body in Saudi Arabia to monitor these foreign audit firms' performance, the audit profession was left with no clear identity (Al-Angari, 2004). This was until 1965 when the Saudi Ministry of Commerce and Industry (SMCI) issued the Saudi Company Act of 1965, which required all companies to prepare their financial statements and submit them to chartered public accounting firms (Al-Twajjry et al., 2003). Hence, the Saudi Company Act of 1965 was the first obligatory legislation to require the auditing of Saudi companies' financial statements and to monitor the audit practice. Subsequently, in 1968, the SMCI established a set of requirements for audit firms, such as qualifications and years of experience (Al-Angari, 2004).

During this period, King Saud University established a department of Accountancy which played a crucial role in establishing and improving the level of accounting education in Saudi Arabia and initiated the foundation of the Saudi Accounting Association (SAA) (Al-Angari, 1999). Consequently, in 1999, the Saudi Organisation of Certified Public Accountants (SOCPA) was established by a royal decree, No m/12, and authorised new regulations for Saudi chartered public accountants. The decree also prescribed that SOCPA should operate under the supervision of SMCI (SOCPA, 2015).

Nevertheless, this historical development of CG in Saudi Arabia was put under scrutiny in 2006 when the Saudi capital market experienced its first financial crisis. As a result, the Saudi Capital Market Authority (SCMA) was established in 2004 by royal decree accompanied by a high level of recommendation by the Saudi Consultative Council (SCC) with the specific intention of regulating and developing the Saudi capital market (SCMA, 2015). Hence, the power to legislate CG regulations switched from the hands of SMCI to the hands of SCMA.

Moreover, ever since the SCMA has been considered the main legislative body of CG regulations and has, accordingly, adopted some international accounting standards such as the OECD principles of CG (Al-Zaid, 2012). Therefore, when the financial crisis of 2006 crashed the Saudi capital market, SCMA insisted on issuing a new set of CG rules to prevent further crises. "It announced a first draft code of the SCGRs [Saudi Corporate Governance Regulations] with many applications, all of which were optional until the beginning of 2009, becoming compulsory in 2010 for listed companies in terms of implementation. However, the listed companies are now only required to demonstrate adherence to the SCGRs on a 'comply or explain' basis" (Al-Zahrani, 2013b).

2.1 Corporate Governance (CG) in Saudi Arabia

This section describes the regulatory framework of CG in Saudi Arabia, such as the regulation, supervision and monitoring bodies. It also highlights the accounting and auditing profession governmental agencies along with CG codes of best practice in Saudi Arabia.

2.1.1 CG Regulatory, Supervisory and Monitoring Bodies in Saudi Arabia

In Saudi Arabia, there are four governmental agencies in charge of regulating, supervising, and monitoring listed Saudi corporations. These governmental agencies are: the Saudi Consultative Council (SCC), the Saudi Ministry of Commerce and Industry (SMCI), the Saudi Capital Market Authority (SCMA), and the Saudi Organization for Chartered Public Accountants (SOCPA).

2.1.1.1 The Saudi Consultative Council (SCC): "House of Shuora"

The Saudi Consultative Council has the legislative power to guide the local and international standards of CG in Saudi Arabia. The SCC was established in 1992 by a Royal Decree, titled A/91, and its 150 members are directly elected by the Saudi King. The elective appointment by the king takes into consideration various aspects of nominated members' qualifications such as experts' knowledge, experience, and level of education. In addition, members of the SCC vary in their fields of expertise ranging from economics, politics, health care, the military etc. As prescribed by article No.15 of the SCC legislative law, the function of the SCC is to initially address its opinions on general policies referred to it by the Prime Minister. Hence, the SCC's duties include but are not limited to the following:

- a) Reviewing and debating general plans currently considered for economic development and social welfare improvements.
- b) Revising and analysing current or proposed laws, regulations, concessions, and international treaties to draw appropriate suggestions.
- c) Reviewing annual reports of governmental agencies and proposing new governance measures (SCC, 1992).

Moreover, the SCC's views, opinions, and proposals on current delegated affairs by the prime minister are eventually submitted to the King for vetoing as required by Article 17 of the SCC (SHURA) Council's Law of 1992. This article clearly states:

"the Council's resolutions shall be submitted to the King, who decides what resolutions are to be referred to Cabinet. If the views of both the Shura Council and the Cabinet agree, the resolutions are issued after the King's approval. If the views of both councils vary, the issue shall be returned to the Shura Council (Consultative Council) to decide whatever it deems appropriate, and send the new resolution to the King, who takes the final decisions " (SCC, 1992).

2.1.1.2 The Saudi Ministry of Commerce and Industry (SMCI)

The Saudi Ministry of Commerce and Industry is one of the governmental bodies that are legislatively responsible for regulating, supervising and monitoring listed Saudi corporations. By law, the SMCI is required to ensure listed Saudi corporations' compliance with the Saudi Company Act of 1965 and other relevant regulations. Moreover, one of the major roles played by the Department of listed Saudi Corporations' Affairs at SMCI is analysing, reviewing and authorising potential applications of establishing new joint stock companies by listed corporations and reviewing the relevant articles of incorporation. In addition, SMCI is also responsible for registering new companies, monitoring their businesses, checking their balance sheets and supervising the overall implementation of the Saudi Company Act (SMCI, 2015).

2.1.1.3 The Saudi Capital Market Authority (SCMA):

The SCMA was established in 2004 by a royal decree. SCMA is considered autonomous and an independent governmental organisation that has the legal, financial, and administrative independence to report directly to the King in his capacity as the head of the Council of Ministers (Al-Habshan, 2015). In addition, SCMA was established with the specific intention of regulating and developing the Saudi capital market. Hence, SCMA is supremely, by the King, granted the authority to have the necessary legislative and executive powers to create, pass, and adopt local and international CG standards, such as the OECD principles of CG (Al-Habshan, 2015). Therefore, SCMA is currently considered the main legislative and executive body of CG in Saudi Arabia. Moreover, SCMA has the legislative power to issue rules and regulations for the implementation of provisions of the Saudi Capital Market Laws (SCMA, 2015). Therefore, SCMA's role as prescribed by the Saudi Capital Market law is to:

- a) Regulate and improve the Saudi capital market
- b) Protect inside and outside investors and all stakeholders from unfair and unjust practices involving fraud, manipulation insider trading...etc
- c) Ensure fairness, and transparency in transactions involving securities and their financial disclosure.
- d) Set risk reduction measures pertaining to securities' transactions.
- e) Authorise, regulate and monitor the issuance and trading of securities.
- f) Regulate and monitor the disclosure of information related to new and trading securities and their issuers;

- g) Regulate proxy and purchase requests and public share offerings (SCMA, 2015).

Moreover, SCMA has a Department of Corporate Governance which is responsible for improving and implementing CG standards through the following duties:

- a) "Developing communication with specialized institutions, both local and international, which are involved in the corporate governance of publicly traded companies;
- b) Encouraging perceptions of transparency, disclosure, liability and equality;
- c) Increasing investors' knowledge of listed companies through the appropriate CGR provisions;
- d) Promoting and overseeing implementation of corporations' self-regulation of their corporate governance policies;
- e) Training representatives of listed companies in the proper implementation of corporate governance practices" (Al-Habshan, 2015).

In addition, SCMA's CG department has a direct responsibility to monitor and regulate listed Saudi corporations' compliance with Corporate Governance regulations (CGRs). Moreover, it is gifted the power to bring legal action against corporations violating CGRs. Moreover, this CG department analyses "listed [Saudi] corporations' articles of associations, online and print announcements, pronouncements through the stock exchange, and annual board financial reports. The department passes its decisions about violations onto the [S]CMA Board, which reviews the decision, the recommended penalties and the legal basis for them [as entitled by Saudi Capital Market law Article 7(d)]" (Al-Habshan, 2015).

2.1.1.4 The Saudi Organization for Certified Public Accountants (SOCPA)

SOCPA was established in 1991 by a royal decree, No M/12, and was given its authorised new regulations for Saudi chartered public accountants. The decree also prescribes that SOCPA shall operate under the supervision of SMCI. Therefore, SOCPA's objective is to promote, develop, and enhance the accounting and auditing profession in Saudi Arabia. As prescribed by law, SOCPA's main roles are to:

- a) Review, develop and approve accounting standards.
- b) Review, develop and approve auditing standards.
- c) Set the necessary rules for the accounting fellowship certificate examination (CPA exam).
- d) Provide continuous educational programmes in accounting.
- e) Set and monitor quality review programmes ensuring that Saudi CPAs are implementing professional standards and complying with the provisions of CPA regulations.
- f) Conduct research in accounting, and auditing.
- g) Publish periodicals, books and bulletins about accountancy and auditing
- h) Participate in international accounting committees and symposiums set by the international accounting standards' bodies.

(SOCPA, 2015).

2.1.2 Aspects of CG in Saudi Arabia

Corporate governance as a concept is relatively new in Saudi Arabia. Hence, CG is a newly introduced regime which has been historically voluntary since their signified initial issuance in 2006 following the first market crash (Al-Zahrani, 2013). Moreover, adherence to CG principles was made obligatory in 2010 (Al Zahrani, 2013). Nevertheless, CG legislation in Saudi Arabia is still slowly moving from voluntary to obligatory as family-owned firms, it has been argued by Koldertsova (2011), are stifling corporate growth by their reluctance to open their equity to outside shareholders. In fact, although Saudi minority shareholders suffered catastrophic losses from Initial Public Offers in 2006 and 2008, the Saudi CG regulations are still adhered to on a 'comply or explain basis' (Al-Zahrani, 2013).

As a result, academics and economists who are concerned with the development of the Saudi Capital Market are expressing in the press the need to apply appropriate CG standards. Nevertheless, Saudi listed corporations perceive their "obligations as restricted to what appears in regulations that cover the business of companies and which may have some relation with corporate governance, such as the Companies Act (1965), the Capital Market Law (2004) and the corporate governance code [of] 2006 issued by the [S]CMA" (Falgi, 2009).

Therefore, the following section will highlight some of the aspects of CG in the light of the historically applicable regulations available.

2.1.2.1 The Saudi Company Law of 1965: (SCL 1965)

The Saudi Company Law was issued in 1965 by a Royal Decree and is considered to be the first legislative attempt to regulate Saudi companies' operations. Further modifications have been required and made by royal decree to update Saudi Company Law (SMCI, 2015). The CG concepts appearing in Saudi Company Law are as follow:

A. Company Structure

Article 66 of SCL (1965) prescribes that any Saudi company must be managed by a board of directors, comprising at least three members, appointed at the annual general meeting (AGM) for a period of no more than three years. In addition, it requires the formation of unitary boards as characterised by one single board comprising both executive and non-executive directors (Mallin, 2004). Moreover, the SCL of 1965 requires members of the board of directors to hold at least 10,000 Saudi Riyal (equivalent to 1,600 Pounds Sterling) of the market value of a company's shares. In addition, it allows Saudi companies to choose appropriate methods for board members' remuneration, salaries, and compensation, which all have to be disclosed at the AGM (SCL, 1965)

B. Shareholders' Rights

The SCL (1965) gives shareholders owning 20 shares or more the right to attend the AGM, which is required to be held once a year to discuss issues related to the company. In addition, the SCL (1965) preserves those shareholders with the rights attached to their shares such as share in profits, participating at the AGM and a vote on decisions. Moreover, Article 109 of SCL (1965) provides shareholders holding at least 5% of a company's capital to ask the "Companies Settlement Authority to inspect the company if they have any doubt about the behavior of the board of directors or the external auditors" (Falgi, 2009).

2.1.2.2 The Saudi Higher Economics Council (SHEC)

The Saudi Higher Economics Council (SHEC) approved the proposals made by the Saudi ministerial committee set by Royal Decree, No. 3151 in 2001, to investigate the status of listed Saudi corporations. The Saudi ministerial committee recommended initial steps towards applying appropriate CG measures (SMCI, 2015). These recommendations include:

- a) Signifying the role of listed corporation's internal control measures.
- b) Enlightening shareholders of their roles in monitoring listed corporations.
- c) Ensuring the credibility and fair representation of listed corporations' financial statements.

(SMCI, 2015).

2.1.2.3 The Saudi Capital Market Law of 2004

The Saudi Capital Market law was established and articulated by SCMA in 2004. The sole purpose of the Saudi Capital Market Law of 2004 is to develop an organised, transparent financial market. For example, Article 45 of the Saudi Capital Market Law of 2004 issued by the Saudi Capital Market Authority states the following:

- a) "Every issuer offering securities to the public or whose securities are traded on the Exchange must submit to the authority quarterly and annual reports. Annual reports must be audited as required by the rules of the authority.
- b) In addition to the information required in paragraph (a) of this article, the annual report must also contain an adequate description of the issuing company, the nature of its business, information regarding the members of its board of directors, and any other information as may be required by the rules of the Authority as it deems necessary to assist investors and their advisers in making a decision to invest in the issuer's securities" (SCMA, 2015).

2.1.2.4 The Saudi CG Code

The Saudi CG code of best practice was issued in 2006 by the SCMA. The code aimed to ensure that Saudi listed corporations comply with the best CG standards capable of protecting all type of stakeholders (SCMA, 2015). Even though the Saudi CG code was initially intended to be a guideline, listed Saudi corporations are required, by the CG code, to disclose in their board's reports which provisions of the CG codes were implemented and those not implemented (SCMA, 2015). In addition,

those listed corporations, in case of no implementation, are required to provide an explanation for the non-compliance (Al-Zahrani, 2013b). The code covers three major topics such as the rights of shareholders, disclosure and transparency, and the board of directors.

2.2 Discussion

CG regulations in Saudi Arabia have been relatively premature due to the late significance attached to adopting a sound CG system after the first market crash of 2006. A few governmental agencies have played key roles in setting the stage for implementing appropriate CG standards in Saudi Arabia such as SCC, SMCI, SOCPA, and SHEC. Nevertheless, it can still be said that the main legislative sources of CG in Saudi Arabia stem from:

1. The Companies Act of 1965: initially considered the first legislative attempt at establishing general CG guidelines.
2. The Saudi Capital Market Law of 2004: practically, the first legislative attempt to organise the Saudi Capital Market's operations of listed corporations.

Nevertheless, the Saudi Company Law of 1965 does not effectively protect minority shareholder's rights. In fact, the SCL of 1965 is rather found to empower majority shareholders with unrestricted control over their companies to the point where majority shareholders are capable of causing abuses and injustice (Al-Madani, 2011). For instance, in accordance with SCL 1965,

"the company is entitled to maintain its interests and the interests of shareholders against any detrimental act... [Hence,] if the company does not file a liability suit against the aggressor through the GM, the shareholders have no right to file a liability claim on behalf of the company and for the company itself... [In addition] GM will object to a shareholder filing a suit if it is deemed to threaten the influence of the controlling shareholders who, de facto, manage the company. The current law does not provide any guarantees for minority shareholders against any excessive behavior on the part of the major shareholders in the company" (Al-Zahrani, 2013).

Hence, the current state of the Saudi CL of 1965 is considered outdated and this outdated version fails to protect Saudi minority shareholders (Al-Madani, 2011, Al-Zahrani, 2013). Despite the Saudi government's intention to reform CG, the Saudi CL of 1965 "has not been modified to any significant degree; it is still not sufficiently effective, and does not address many important points relating to shareholders' rights in listed companies" (Al-Zahrani, 2013).

Moreover, the board of SCMA, which was created via the Saudi Capital Market law of 2004, has utilised its powers, granted by the King, to legislate the issuance of CG regulations in 2006 after the first market crash (Al-Zaid, 2012). Nevertheless, adherence to Saudi CGRs was made obligatory in 2010 and listed Saudi corporations still adhere to CG regulations on a 'comply or explain basis' (Al-Zahrani, 2013).

The objective of the SCGRs issued by SCMA is to provide Saudi listed corporations and their shareholders with a general guideline for best practice. In addition, these guidelines are meant to enhance the level of protection provided to all shareholders, including minorities. However, "most of SCGRs are just recommendations, except for those stated as being mandatory, i.e. they are optional in application and there is no penalty for non-compliance" (Al-Zahrani, 2013b). Hence, the current state of compliance with SCGRs, being mostly recommendations, opens the doors wide open for listed corporations to legally avoid following obligatory provisions even with regulations requiring "a comply or explain basis" (Al-Zahrani, 2013b).

In addition, "the SCGRs are completely free of any definition of what is meant by the term CG, although it is the term that needs the most clarification, due to its novelty on the one hand, and the need for each person to be aware of its gravity and to know what it entails on the other; many shareholders do not know the full meaning of the concept of CG"(Al-Zahrani, 2013b).

In addition, there is an apparent contradiction between SCMA's, guidance, Saudi Corporate Governance Regulations (SCGRs) and the obligatory regulations of Saudi Company Law of 1965. Hence,

"corporations tend only to apply those SCGRs that are included in SCL 1965 under threat of penalty, being unable to argue that they are not mandatory, even though those same regulations are stated as being for guidance only in the SCGRs. Owing to these problems, the SCGRs must be modified to comply with SCL 1965, and all conflicts should be resolved by MOCI [Saudi Ministry of Commerce and Industry] and the SCMA in the public interest" (Al-Zahrani, 2013b).

Overall, protecting minority shareholders is a fundamental objective of the OECD principles of CG issued in 2004. And, member countries such as Saudi Arabia should take this fundamental objective seriously into consideration when implementing a set of CG regulations. Those OECD principles of CG capable of protecting minority shareholders include: 1) Rights of Shareholders; 2) Equitable Treatment of Shareholders; 3) Role of Shareholders; 4) Disclosure and Transparency; 5) Responsibility of the Board.

Nevertheless, the Saudi version of those CG regulations (SCGRs) issued by SCMA in 2006 only include: 1) an introduction and definition of CG; 2) the rights of shareholders and the GM; 3) disclosure and transparency; 4) the board of directors; 5) the closing provisions (Al-Zahrani, 2013b). Hence, SCMA needs to improve its SCGRs to cover all areas as emphasised by the OECD principles of 2004. In addition, SCMA needs to provide the necessary legal awareness programmes for minority shareholders to implement the appropriate devices to aid minority shareholders in exercising their rights and encounter any oppression imposed on them by majority shareholders (Al-Zahrani, 2013b).

In addition, Saudi minority shareholders should not need to rely on Listed Saudi corporations' policies and procedures put in place to preserve and exercise their rights. As emphasised by the OECD "[to] ensure an effective corporate governance framework, it is necessary that an appropriate and effective legal, regulatory and institutional foundation is established upon which all market participants can rely in establishing their private contractual relations" (OECD, 2004).

In addition to that, it is worthwhile to mention that the Saudi legal system is principally governed by Shariah law, the principle of Islamic Law; hence, potential adaptation of CG international standards such as the OECD principles of CG need to be considered by SCMA board on a Shariah basis (Al-Kahtani, 2013). Otherwise, compliance with standards will not assist when a dispute between involved parties is settled by a Saudi court of law by a judge whose orientation with the law is mainly based on Islamic principles. As a consequence, adopted CG international standards should be scrutinised under the Shariah microscope, before implementation, by key players such as the SCC, SOCPA, and SHEC.

"Familiarity with the Saudi legal system is essential to understanding corporate governance and how disputes related to corporations are resolved. Depending on the nature of a dispute, a judge in Saudi Arabia in resolving cases concerning corporations will look first to the contract among the parties (the Articles of Incorporation) and will enforce that provided that it does not contradict Shariah, a statute or a regulation. For matters not covered in the corporation Articles of Incorporation or bylaws, a judge would look at the law governing the issue, which in the case of corporations will most likely be in the Companies Act. If no answer is found in the Articles of Incorporation, bylaws or the Companies Act, the judge must apply Customs. The general principles of Shariah come into play after the judge has looked into the sources noted above" (Al-Zaid, 2012).

For example, in practise, when an international CG standard is considered for adoption in Saudi Arabia, at the first instance, the SCMA board would not consider those proposed regulations on the basis of whether or not they might contradict basic Islamic principles (Al-Kahtani, 2013).

Consequently, in dispute cases, Saudi judges look first at the contract between involved parties and will make sure such a contract does not contradict the basic law of governance, which are Islamic legislation stemming from the Quran (Book of God) and supplications of Sunna (traditions) (Basic Law of Governance, 1992, Art. 1 as cited in Al-Khatani, 2013). This is an example on the conceptual framework of governance and how it affects judicial decisions in Saudi Arabia. In addition, a proper example of how SCMA and the other key player such as SCC, SOCPA, and SHEC can harmonise potential international CG standards with Islamic principles would be:

"The Anglo-American model of CG indicates that a member of the board of directors can represent all shareholders. This declaration confines accountability to shareholders only. As a result, it can be said that the accountability of the board of directors, as mentioned under the CG can work in line with the meaning of accountability from an Islamic perspective, which inspires board members to be accountable to God in all worldly actions as well in those related to other aspects of the corporation" (Al-Kahtani, 2013).

Hence, it is very important for the SCMA board to consider the Islamic implications of internationally proposed CG standards (Al-Kahtani, 2013). Otherwise, compliance with proposed standards will not aid minority shareholders when a dispute is settled by a Saudi court of law by a judge whose

orientation with the law is mainly based on Islamic principles.

2.3 Chapter Summary

In summary, despite of the recent practical attempts undertaken by SCMA, the current status of the Saudi CG framework does not constitute effective legal, regulatory and institutional foundations capable of protecting minority shareholders. Therefore, reviewing the relevant international legal literature, in the following chapter, will contribute largely in terms of shedding lights on legal constructs that the Saudi legal environment is lacking to improve its CG legal framework.

Moreover, the current status of CG in the whole Middle East and North Africa (MENA) region, consisting of countries sharing the same culture, oil based economies, and religion as Saudi Arabia, is very similar to Saudi Arabia. As indicated by the OECD report of 2011, the "disclosure-averse culture" in the MENA region has contributed to the general lack of transparency in the corporate sector (Koldertsova, 2011).

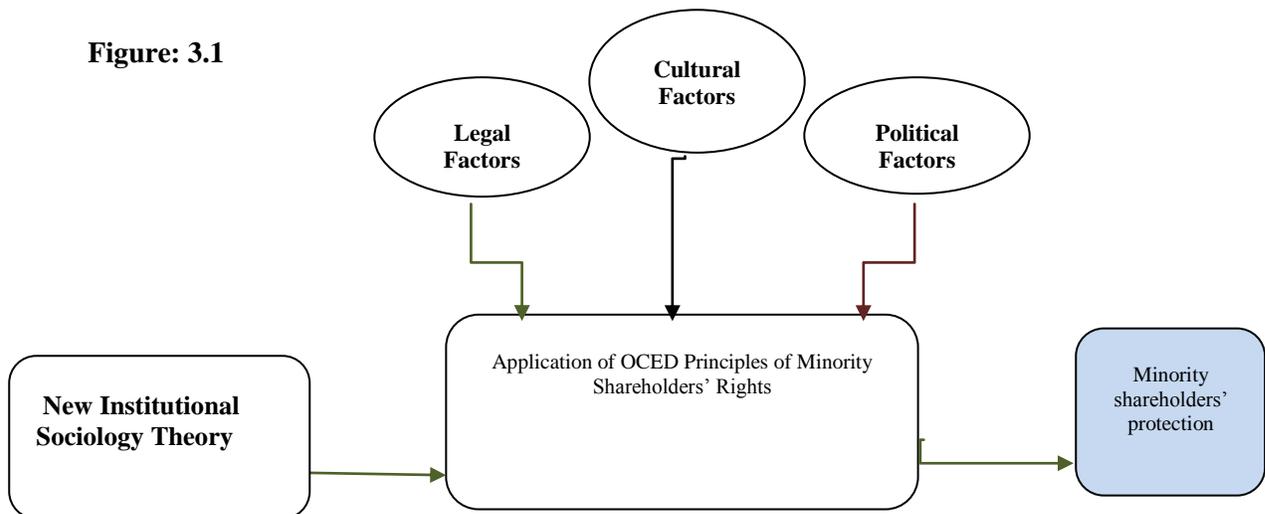
Therefore, researching the effect of culture on CG is both timely and critical as such contributions can be of a major significance to the MENA region as a whole. Hence, this case study will focus on Saudi Arabia as it represents an important economic, political, religious and cultural significance in the MENA region due to the size of its economy and the leadership role it plays. Furthermore, this case study will review the relevant international literature to assess the impact of the Saudi Arabian culture on CG and its regulatory framework with respect to the protection of minority shareholders' interests. The conceptual framework for understanding how the Saudi Culture affects the rights of minority shareholders will take into account cultural models linking societal constructs with the legal and political milieu.

3. Chapter Three: Literature Review

3.1 Introduction

In this review of the literature, the model of network theory developed by Hesse (1966-1980) is used as a literature review technique. The technique is based on the assumption that well-established literature in any subject area "represents a series of nodes in an interlinked network of theoretical and empirical developments" (Ryan, Scapens & Theobald, 2002). Hence, articles containing significant theoretical developments and at the core of the literature are defined and referred to as the 'grandmothers': "other articles, which are still important in developing significant strands within the literature, we describe as 'mothers' and the reminder as 'daughters'" (Ryan et al., 2002). In fact, this model is heavily relied upon when conducting the literature review of the principles and theories of CG stemming from cultural, legal, and political factors as the graph below illustrates:

Figure: 3.1



Source: The Author

In addition, the most cited articles in a subject area were selected for initial readings.

Moreover, 'the key articles' cited by the authors as principally generative were identified and read. Such process as advised by (Ryan et al, 2002) was repeated back through time to map out all nodes constructing the elements of such grounded assumption pertaining to the subject and adjacent areas of this research. In addition, an exhaustive literature search process of published and unpublished studies was transparently carried out and aimed to provide an audit trail of the researcher's procedures and conclusion (Tranfield, Denyer & Smart, 2003)(see Appendix A.2). Other literature review techniques used include:

A. Searching

The first stage of the process was aimed at identifying the cultural impact on the rights of minority shareholders. The second stage was aimed at unveiling the legal factors affecting the strength of minority shareholders rights. The third stage was aimed at exploring the political factors affecting the strength of minority shareholders rights. No studies were found in the Saudi context. Hence, the searching process was set to focus on findings of international studies. Moreover, the literature review was conducted over the period between October 2012 and March 2015. A review strategy was developed to include resources to be looked at and search terms to be used for each resource.

B. Use of Search Terms

In this research study, keywords were systematically generated based on their relevance to the predefined research questions' words as keyword-search is a common method of identifying relevant literature (Ely and Scott, 2007). Hence, the strategy used to construct the keywords is as follows:

1. Identify major conceptual framework derived from the research questions.
2. Identify synonyms for key terms; Allowing databases' Boolean and Boolean AND to incorporate alternative synonyms.
3. The total number of selected papers was reduced by investigating the titles and the abstracts in order to exclude articles not addressing the research topic and adjacent areas.

C. Screening

The screening process was performed to select publications, stemming from search terms, meeting the pre-specified inclusion and exclusion criteria. As the pre-determined inclusion criteria recognize a set of characteristics classifying such publication as suitable for analysis. Moreover, the exclusion criteria identify a set of characteristics making such publication inappropriate. The tables below show both sets:

1. Inclusion Criteria:

Rational for inclusion	CRTITERIA
To gain a wide picture of cultural factors impacting CG	In all countries: barriers to CG compliance
To identify the legal factors affecting the strength of minority shareholder's protection	In all countries: barriers to strength

To identify the political factors affecting the strength of minority shareholder's protection	In all countries: barriers to strength
To capture all sort of evidence	Quantitative & qualitative methods used

2. Exclusion Criteria:

Rational for exclusion	CRITERIA
The researcher can only review studies written in English and Arabic	Studies in other languages than Arabic, and English
Beyond the scope of the current study	Studies not relevant to the scope of this study

D. Data Extraction

The data extraction form included five sections: bibliographic information; focus of the study; methodology; findings; and analysis (see Appendix A.1).

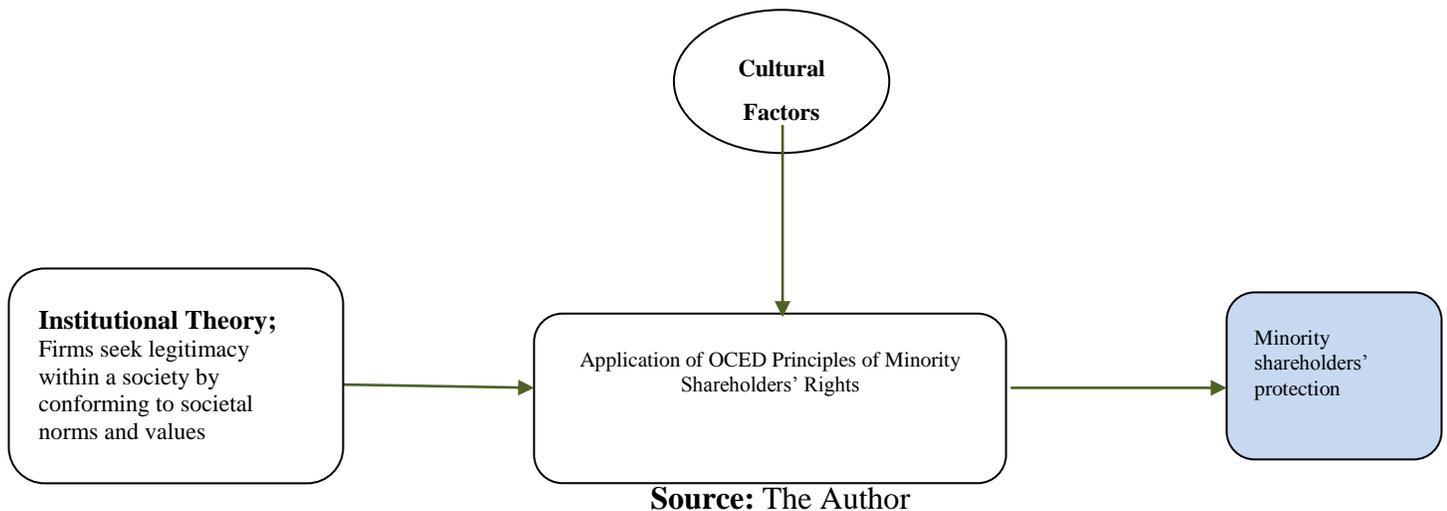
E. Reporting & Dissemination

Reporting and dissemination of knowledge is the final stage of the systematic literature review process. It requires writing up the findings of the review process and circulating them to potential interested parties. In fact, the results of this review process were reported in at the 2015 BAM conference at the University of Portsmouth on the 8th of September 2015.

3.2 Culture and Corporate Governance (CG)

In order to answer the first research question of this thesis, regarding the cultural factors that might explain the quality of the exercise of minority shareholders' rights as defined by the OECD principles of CG, a review of the relevant international cultural literature on CG will contribute largely in terms of identifying critical cultural constructs to implement via a research method to investigate such relationship.

Figure 3.2



3.2.1 Background

The significance of reliable research in CG has increasingly been acknowledged in the business world. Deane (2006) described CG as an ownership responsibility rather than a legal obligation. Previously, in the usual notion, CG was considered an externally imposed obligation as a matter of criteria settings necessary for corporate listings and continuations. He goes on to say that, "we needed people with vision prepared to make investment in governance because the long term returns are worth it."

However, such a vision cannot be utilised without recognising the fact that, "corporate governance regimes around the world shaped by different sets of cultural values, are also divided with regard to the question: for whose benefit should corporations be governed?" (Rossouw & Sison, 2006).

The association between culture and CG has not been long researched in accounting due to the multi-dimensionality of opposing factors such as the legal and political ones and their uncertain effects on CG. Moreover, consideration of economical developments in relation to distinctive cultural traits is beneficial. In addition, it might provide this research with the opportunity to identify the appropriate Cultural Value Dimension (CVD) model to adopt for the purpose of answering the first research

question of this study: To what extent do available cultural models (for example Hofstede, 2010) explain the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia?

Therefore, a thorough review of the literature on Cultural Values Dimensional (CVD) models found in cross-cultural psychological studies and commonly used in the area of business studies and accounting, will be undertaken by the researcher to explore significant cultural variables to be considered when assessing the association between Saudi culture and CG in light of the rights of minority shareholders.

3.2.2 Evolution of CG

Eighty-five years ago, Berle and Means (1932) assumed that all large public corporations would mature to a capital structure that is highly characterised by the separation of ownership and control. They were systematically too enthused with their assumption to the point that they overlooked cultural obstacles awaiting this hypothesis in different corners of the world's continents. It has become clear in the twentieth century that not all cultures are capable of convergence toward a specific capital-structure. In fact, the twentieth century witnessed the polarisation of corporate structures between two dominant-rivaling systems of CG stemming from different cultural orientations. These systems, as explained by Coffee (2001), are:

- A.** Dispersed Ownership System, characterised by strong- 'bidding oriented' securities markets, high level of 'well lobbied' accounting disclosure standards, and market transparency. This system is consistent with the prediction of Berle and Means and as expected is highly responsible for setting corporate control mechanisms to facilitate negotiating the conflicts between share owners and managers.
- B.** Concentrated Ownership System, characterised by controlling shareholders, fragile security market, and a low level of disclosure and market transparency. This system falls outside of Berle's and Means' assumption because its market plays a moderately weak role in setting control mechanisms. Instead, large banks centered around listed corporations are responsible for setting and monitoring corporate control procedures.

Nevertheless, both systems seem to operate with ease on a geographical basis. The significance of each system is recognised by different parts of the world (Daniel, Cieslewicz & Pourjalali, 2012).

3.2.3 National Cultures and Economic Development

The association between economic development and national cultures are becoming increasingly important. Studies have investigated whether or not national cultures' distinctive traits can explain the variations in the resource allocation efficiency and wealth distribution in societies worldwide. In fact,

Dodor and Rana (2007) found their statistical results confirmatory to the argument that culture traits do matter in economic development, when national cultural dimensions such as *Individualism, Power Distance, Uncertainty Avoidance, Masculinity, and Long Term Orientation* are used. In addition, their recommendations to investigate the influence of further variables such as geography, history, religion, institutions, and governments on economic development were highly emphasised given their large sample of 53 countries.

Nevertheless, further investigations into the association between national cultures and economic developments cannot be fruitfully productive without taking the two dominant schools of thoughts in socioeconomic development into account. Modernisation theorists such as Karl Marx (1973) emphasise the convergence of values with economic development, and assume the death of religious beliefs in the long run. On the other hand, the opposing school of Max Weber (1904) puts the emphasis on the persistence of traditional values despite economic and political changes. Max Weber's view conforms with the notion that values are relatively independent of economic conditions (DiMaggio, 1994).

Empirical evidence rooted in a large sample of 65 societies undertaken by Inglehart and Baker (2000) subscribed to both opposing schools' points of views. Inglehart and Baker stated,

"economic development is associated with pervasive, and to some extent predictable, cultural changes. Industrialization promotes a shift from traditional to secular-rational values, while the rise of postindustrial society brings a shift toward more trust, tolerance, well-being, and post-materialist values. If economic development continues, we expect a continued decline of institutionalized religion. The influence of traditional value systems is unlikely to disappear, however, as belief systems exhibit remarkable durability and resilience. Empirical evidence... indicates that values can and do change, but also that they continue to reflect a society's cultural heritage" (2000).

Therefore, it is safer to consider the implications of both opposing schools with a level of caution for the purpose of this study when assessing the association, if any, between Saudi culture, in light of economical developments, and its CG framework.

3.2.4 National Cultures, Institutional Environments and CG

The institutional environment is found to mediate the relationship between national cultures and CG. In a sample of 62 societies, the four Hofstede dimensions, namely; *Uncertainty Avoidance, Power Distance, Future Orientation and Performance Orientation*, are found positively related to the institutional environment in any given society (Daniel, Cieslewicz & Pourjalali, 2012). This empirical study shows how certain cultural components, such as Hofstede's (1980) Cultural Value Dimensions CVD, impact CG indirectly through their influences on the elements composing the institutional environment in any given society.

This study also implies that CG regimes around the world should reflect the cultural values of a given society in order to operate efficiently. Otherwise, policy makers will misleadingly keep on implementing CG codes of best practices superficially without adjusting the institutional environment to support further improvements in accordance with prevailing cultural values (Davies & Schlitzer, 2008; Denis & McConnell, 2003; Mintz, 2005; Pedersen & Thomsen, 1997; Young et al., 2004).

In addition, the recent global financial crisis has shed some lights on the weaknesses found in regulatory and CG practices worldwide. This is might be due to, “a lack of congruence between the cultural expectations and the regulatory infrastructures” (Daniel, Cieslewicz & Pourjalali, 2012).

3.2.5 Theoretical Implications

3.2.5.1 Agency Theory

The use of *Agency Theory* to explain the different CG systems around the world has failed in both developed and emerging markets because, " it is not clear whether the board of directors is management or agent or owner" (Oxelheim, 2007). Hence, the dominance of family controlled corporations around the world, especially in emerging markets such as Asia, calls for a new theory to investigate the concerns of minority shareholders in those markets. In fact, exploring the agency theory conflict of relationships from a cultural perspective might suggest to be more universally applicable. For example, research into Japanese CG suggests that the agency relationships must be modified in cultures high on collectivism (Crossland & Hambrick, 2007). "Efforts to change corporate governance practices around the world are best informed by an appreciation of cultural as well as institutional factors" (Daniel, Cieslewicz & Pourjalali, 2012).

3.2.5.2 Institutional Theory

The *Institutional Theory* perspective is suggestive of corporations seeking legitimacy within any given society by adhering to societal norms and values. Empirically, the findings of Li and Harrison (2008) are confirmatory with the fact that CG practices around the world, as found in multi-national corporations they had tested, reflect prevailing societal cultural norms in order to seek societal legitimacy.

3.2.5.3 Ontological Conflict in CG

As explained by Blaikie (1993),

"Ontology is a branch of philosophy that is concerned with the nature of what exists. It is the study of theories of being, theories about what makes up reality. In the context of social science: All theories and methodological positions make assumptions (either implicit or explicit) about what kinds of things do or can exist, the conditions of their existence, and the way they are related" (cited in Lewis-Beck, Bryman & Liao, 2004).

Morland (2013) views CG as relying on certain identity constructs needing to be questioned. Morland argues that “the way in which corporate governance initiatives address the various crises of capitalism, allows us to gloss over some crucial ontological questions that could precipitate a more rigorous questioning of capitalist practices” (2013). Consequently, Morland presents these following problems:

Problem 1: The nature of capitalism and the crisis of control

Under this problem, Morland extensively reviews the CG literature and concludes that the literature is heavily concentrated on the fiduciary duty of directors and managers to guarantee the growth of shareholders’ values. Hence, the focus of such literature arguably is on ‘money’, rather than on the welfare of the society, which is affected as a ‘side-product’ of this pursuit (Morland, 2013).

Problem 2: Moral agency and identity crises.

Morland (2013) arguably views capitalism as striving on flows; hence, in the process, most of the humanitarian values escape as the focus is on production and efficiency rather than on the sovereignty of the workforce. Contestably, Morland views the outcome of that to be the enlargement of social classes leading to a confrontation with the problems of inequality, disenfranchisement, and poverty (Morland, 2013). Consequently, Morland sees the agency conflict is rather a side-product of the obsessively desired level of productivity and efficiency.

“Corporate governance aims to contain identities, instead of engaging with the flows through which these identities spontaneously emerge. Corporate governance seems to try and engineer, direct and program these “identities,” instead of fostering the couplings that in and of themselves involve relational constraint, albeit not complete control... We therefore have to address the “identity crisis” that is inherent to capitalism. Governance initiatives relying in controls institutionalized and managed by singular individuals with integrity are bound to miss the ever shifting target of flows” (Morland, 2013).

Problem 3: Hierarchical governance and the crisis of structure

“In biological terms, a ‘rhizome’ refers to a form of plant that extends itself through horizontal tube-like root system and can in this way create endless new plants” (Morland, 2013). Hence, exploring CG in a rhizomatic way might arguably lead to a mind-shift. Such shift might be capable of directing attention away from delineating units that operate in accordance with certain foundational principles to be open to “‘dimensions or rather directions in motion” (Deleuze & Guattari, 1988, p.21)

“This requires a different kind of methodology as well. Where Boards are typically concerned with how they can direct their corporations from where it is now, to where it wants to end up, understanding the rhizomatic requires starting in the middle, rather than from a beginning or end. This may entail looking at how projects are affecting people and environments, rather than whether targets are met or compliance boxes are checked” (Morland, 2013).

3.2.5.4 The Epistemological Stand of Value Systems:

Epistemology is defined by Sumner (2006) as:

"a field of philosophy concerned with the possibility, nature, sources and limits of human knowledge. As distinct from ontology (the study of the essential nature of reality), epistemology is concerned with whether or how we can have knowledge of reality: questions that have concerned philosophers since, at least, the Ancient Greeks. Criteria for what counts as knowledge (rather than mere belief) normally include reference to truth and to the justification for it" (as quoted in Jupp, 2006, p. 92).

Value systems tend to differ among nations worldwide. The reason for this is that systems of thoughts are not only rooted in local beliefs but extend to metaphysical systems at a deeper level (Nisbett, Peng, Choi & Norenzayan, 2001). For example, Asian systems of thought have a holistic orientation "making relatively little use of categories and formal logic, and relying on 'dialectical' reasoning" (Nisbett et al., 2001). On the other hand, Western systems of thought have more of an analytical orientation that rely more on "paying attention primarily to the object and categories to which it belongs and using rules, including formal logic, to understand its behaviour" (Nisbett et al., 2001).

In addition, these 'systems of thoughts', according to psychological findings of Nisbett et al., (2001) are consistent with findings of other studies such as Vygotsky (1978), Cole (1995), Cole and Scribner, (1974), Hutchins (1995), Lave (1988), Luria (1932) and Rogoff (1990). Collectively, all of these previous studies emphasise the fact that "tools of thought...embody a culture's intellectual history... tools have theories built into them, and users accept these theories-albeit unknowingly-when they use these tools" (Resnick, 1994, pp. 476-477).

Over the last three decades, psychologists have striven to qualify, interpret and expand the work of Nisbett (1993) and Hutchins (1995) in regard to the deeper level of values and their rooted stances in epistemologies. For example, the study of Peng, Ames and Knowles (2001) reveals how the holistically dialectal epistemology of the Asian culture makes their self-concepts to be "socially diffused and context, and relationship bound while [W]esterners self concepts are more concrete and abstract". As a result, Peng et al. (2001) categorise Asians' system of inferences to be inductive in reasoning as compared to the deductive Westerners' reasoning trait.

Moreover, Peng et al. (2001) theoretically find cultural studies to highlight diverse epistemological stances of what counts as evidence and truth. Hence, Peng et al. (2001) perceive differences in epistemologies to give rise to different models of reasoning through inductions and deductions. Most importantly, they conclude that the Asian dialectical epistemological model of reasoning emphasises the changing nature of reality along with the enduring presence of contradictions. On the other hand,

they conclude that the Westerners' analytical epistemological stance rather places the emphasis on the notions of truth, identity, and the absence of contradictions in their deductive reasoning.

In addition, Peng et al. (2001) perceive cultural values to be a major source for theories as they guide focus to what is essential. As a result, values, along with self-concepts, play a major role in shaping theories, which in turn shape the contexts in which the resulting inferences are turned into actions.

Therefore, the epistemological stand of such culture has to be taken into account when assessing its impact on CG, as this epistemological stand is capable of shaping the inferences upon which actions take form (Peng et al., 2001). Moreover, Hutchins (1980) explains reasoning as inseparably intertwined with cultural models. Therefore, what is widely believed to be true is a measure of people's capacity to infer and judge in the light of cultural models (D'Andrade, 1995).

3.2.5.5 Cultural Value Dimension (CVD) Models

Table 3.1: The Schwartz Cultural Value Dimensions

Embeddedness/Autonomy

Concerns the desirable relationship between the individual and the group. Embeddedness represents a cultural emphasis on maintenance of the status quo, propriety, and restraint of actions or inclinations that might disrupt group solidarity or the traditional order. Autonomy describes cultures in which the person is viewed as an autonomous, bounded entity who finds meaning in his or her own uniqueness. Intellectual Autonomy refers to a cultural emphasis on the desirability of individuals independently pursuing their own ideas and intellectual directions; Affective Autonomy to a cultural emphasis on the desirability of individuals independently pursuing affectively positive experience.

Hierarchy/Egalitarianism

Concerns guaranteeing responsible behavior that will preserve the social fabric. Hierarchy refers to a cultural emphasis on obeying role obligations within a legitimately unequal distribution of power, roles, and resources. Egalitarianism refers to an emphasis on transcendence of selfish interests in favor of voluntary commitment to promoting the welfare of others.

Mastery/Harmony

Concerns the relation of humankind to the natural and social world. Mastery refers to a cultural emphasis on getting ahead through active self-assertion. Harmony refers to an emphasis on fitting harmoniously into the social and natural environment.

Source: Licht et al. (2005, pp. 229–255).

Table 3.2: The Hofstede Cultural Value Dimensions

Individualism/Collectivism

Valuing loosely knit social relations in which individuals are expected to care only for themselves and their immediate families versus tightly knit relations in which they can expect their wider in-group (e.g. extended family, clan) to look after them in exchange for unquestioning loyalty.

Power Distance

Accepting an unequal distribution of power in institutions as legitimate or illegitimate

Uncertainty Avoidance

Feeling uncomfortable or comfortable with uncertainty and ambiguity, and therefore, valuing or devaluing beliefs and institutions that provide certainty and conformity.

Masculinity/Femininity

Valuing achievement, heroism, assertiveness, and material success versus relationships, modesty, caring for the weak, and interpersonal harmony.

Long Term Orientation/ Short Term Orientation

Long-Term Orientation (LTO) is defined as the fostering of virtues toward future rewards—in particular, perseverance and thrift. In contrast, short-term orientation stands for the fostering of virtues related to the past and present—in particular, respect for tradition, preservation of face, and fulfilling social obligations.

Source: Licht et al. (2005, pp. 229–255) and Hofstede (2010) for the 5th dimension.

Empirically validated value-oriented studies in recent years have strived to map out specific insights into cultural differences. The distinctive approach of laying down the foundation on prior theorising to derive cultural dimensions has been a major goal for scholars in cross-cultural psychological studies. The reason being to specify how a set of Cultural Value Dimensions (CVDs) is capable of forming a coherent and integrated system of socialisation of a culture (Schwartz, 1994, 1999, 2004). For example, the analysis of empirical and conceptual relations regarding value dimensions taken on a large sample representing 75% of the world's populations suggests the following, according to (Schwartz (2004):

1-" A dimension dealing with the desirable degree of independence of the person from in-groups vs. embeddedness in these groups: This includes [his] autonomy/embeddedness, Hofstede's (1980, 2001) individualism without the component of whose goals—own or group—should take precedence, and elements of both the Inglehart (2000) dimensions [materialism and post-materialism]"

2-"A dimension dealing with the desirability of equal vs. hierarchical allocation of resources, roles, rights, and obligations among persons and groups: This includes [his] egalitarianism/hierarchy, elements of Hofstede's power distance, and the materialism aspect of Inglehart's survival pole".

3-"A dimension concerned with the relative desirability of assertively using or changing the social and natural environment in the active pursuit of goals vs. maintaining harmony in relations to this environment: This includes my mastery/harmony, Hofstede's masculinity, and elements captured by Inglehart's secular-rational pole."

The most interesting highlight of the above mentioned dimensions made by their founders is the fact that these dimensions are capable of producing robust empirical evidence as they all measure cross-cultural items equivalent of meanings. Moreover, "these three combined dimensions were evident in a multidimensional scaling analysis of the seven Schwartz cultural orientations, four Hofstede dimensions, and two Inglehart dimensions. The first two dimensions correlate substantially with economic development, while the third does not—making it especially interesting to pursue further" (Schwartz, 2004). In addition, the validity of such an approach is assessed through the choice of the unit of analysis. In fact, most cross-cultural studies chose social groups as their units of analysis, not the individuals (Hofstede, 1980; Schwartz, 1994).

The theory of CVD and its implications for work demonstrated to be empirically sound in a large sample of 49 nations tested by Schwartz (1999). Schwartz describes these CVDs as capable of generating hypotheses about work-related variables and he adds, "[these CVD models] point the way towards utilising what is known about national differences in cultural values for the study of national differences in work related-variables" (Schwartz, 1999).

Moreover, Schwartz's (1992) study uses a sample of 20 countries to determine the universality of the content and structure of values. The result of this study is moderately specific in determining 10 motivational values found worldwide. "Power, achievement, and tradition types were universal, as they emerged in all countries. The hedonism, self-direction, universalism, and security types were found in 95% of countries, and the stimulation, benevolence, and conformity types were found in 90% of countries" (Schwartz, 1992). Hence, it can be said that the identification of universal aspects of value content and structure set the foundations for investigating cultural-specific aspects in the future. For example, in 2001 Schwartz and Bardi undertook the challenge of taking a similarity perspective regarding the hierarchy of value priorities on a sample of 56 nations. They concluded,

"Benevolence, self-direction, and universalism values are consistently most important, power, tradition, and stimulation values least important, and security, conformity, achievement and hedonism in between. Value hierarchies of 83% of samples correlate at least .80 with this pan-cultural hierarchy [comparing the ratings and order in each national sample with the overall average ratings and order of all nations]" (Schwartz & Bardi, 2001).

The work of Schwartz, (1992, 1994, 1999, and 2004) and Bardi (2001) is representative of the importance of investigations into cultural value specifics on both opposing perspectives of differences and similarities. In addition, the application of either perspective in work-related activity investigation is capable of yielding valuable evidence. However, Schwartz's work has not been as extensively used by business researchers as Hofstede's (1984) CVD model. This might be due to the relative simplicity of Hofstede's approach.

Hofstede (2005) defines culture as, "the collective programming of the mind which distinguishes the members of one group or category of people from another" (p. 23). Hofstede (2005) explains how the word 'culture' is perceived differently by world populations. For instance, culture for Western people is commonly associated with civilization and refinement. Hence, the end results of such refinement are expressed through education, art, and literature. Hofstede, titles this perception as 'culture one'.

However, culture as mental software of the mind is much broader in essence and includes patterns of thinking, feeling, and acting, as explained by Hofstede (2005). Respectively, Hofstede titles this well-established perception among social anthropologists as 'culture two'.

In addition to that, Hofstede's model (1984) captures most elements found in both previous definitions. In fact, Hofstede's proposal of the four value dimensions of (1984), namely *Power Distance*, *Collectivism versus Individualism*, *Femininity versus Masculinity*, and *Uncertainty Avoidance*, is representative of the basic problematic areas found in all cultures. Moreover, the terminologies for these four value dimensions already exist in the social science field, and their empirical application resonates well with the basic problem area each dimension stands for (Hofstede, 2005).

3.2.5.6 Critique of CVD Models: Schwartz vs Hofstede

In an attempt to evaluate the explanatory potential of Hofstede and Schwartz's models with respect to the macro-social and macro-economic variables on the same sample of 20 countries used by Schwartz's and Hofstede's studies, Gouveia and Ros (2000) conclude some intriguing results. They find that the "Hofstede model is better explained by macro-economic variables while the Schwartz model is better accounted for by the macro-social variables" (Gouveia & Ros, 2000). For instance, the dimensions of *Individualism* versus *Power Distance* in Hofstede's model are essentially defined by a country's wealth and level of education. On the other hand, the dimension of *Autonomy* versus *Conservation* in the Schwartz model are closely defined by the distribution of wealth in social welfare, and human developments (Gouveia & Ros, 2000). In fact, Schwartz (1994) admits that the scant association of his model regarding economical indicators is representative of his distinct conceptual stances and measurements with respect to Hofstede's.

Moreover, an ethnographic analysis of Hofstede's (2001) model done by Fougere and Moullett (2007) arguably reveals that Hofstede discursively constructs a world characterised by a division between developed (Anglo-Germanic countries) and traditionally less developed world. Hence, Hofstede's CVD model is insufficiently capable of presenting deep values as explanatory indicators for cultural influences because his division "is a discursive construction based on a colonial thinking" (Fougere & Moullett, 2007). Therefore, Hofstede's work is arguably seen as a promotion of Western culture as the benchmark for economic development, democracy, and advanced technologies. Not only that, but Hofstede's work is even viewed by Fougere and Moullett (2007) as encouraging Western companies operating overseas to confirm their beliefs that they are quite right in appointing Western educated managers. Unless, as Hofstede states, "effort in theory-building, especially in those countries in which theories of modern man, management, organisation, and society must be imported wholesale from abroad" (Hofstede, 2001, p. 462).

In addition, McSweeney (2009, 2002) theoretically speculate how national cultures models used by anthropologists are misleading as these models are not capable of capturing other-sub-cultures within a

country but rather draw on the homogeneity of cultural factors within a country. It is true that anthropologists are more concerned with the homogeneity of a culture within a country as opposed to addressing the issues of variations within sub-cultures existent in a country. The reason is because they, anthropologists, assume that values are stable and are not changed by political and economical factors as predicted long ago by the work of Max-Weber (1904).

However, what McSweeney (2009) wishes to have, in his theoretical attempt, are anthropologists who are willing to peruse cultures from the perspective of modernization theorists such as Karl Marx (1973) emphasizing the decline of tradition values due to economical and political factors. Hence, in such view values are dynamic and are not limited to history but to also the future development of countries as also predicted by Licht (2001). Therefore, such view is factored in this research paper to find out whether or not values are dynamic.

In addition, McSweeney (2009, 2013) criticizes culturist at the analysis level saying that they rely heavily on averages to draw correlation and causations and their samples are not representative. Hence, McSweeney (2009, 2013) sees no generalizations should be made. McSweeney states, “our ability to make generalizations on the basis of the current body of empirical research is limited by significant within group heterogeneity in regional, country and ethnic group comparison” (2009). However, the point of most reviewed anthropological studies such as Hofstede’s (1982-2010) and Schwartz’s (1992-2007) is to draw broad guidelines, as their unit of analysis is the culture whereas sociologists use the individual as a unit of analysis. Hence, they can have multiple level of group analysis. McSweeney also states,

“Hofstede apparent sophistication analysis of extensive data necessary relies on a number of profoundly flawed assumptions to measure the software ... his claims are excessive and unbalanced: excessive because he claims far more in terms of identifiable characteristics and consequences than is justified; unbalanced because there is too great a desire to prove his a priori convictions rather than evaluate the adequacy of his findings”.

Hence, for the purpose of this thesis in answering the first research question, the researcher intends to avoid such generalization as he plans to use culture as a unit of analysis to capture the general and break down the dimensions on a micro-sociological level using the individual to draw comparison between groups of Saudi shareholders. Hence, the macro analysis will not create the micro as McSweeney (2013) warns against. McSweeney (2002) states, “Hofstede’s model is profoundly problematic. His conflation and uni-level analysis precludes considerations of interplay between macroscopic and microscopic cultural levels and between the cultural and the non-cultural”.

Moreover, McSweeney (2002, 2013) criticizes how national cultural models such as Hofstede’s (2010) “disregards independent non-cultural and non-national cultural influence as cultures...are made and

remade through exchange, imitation, intersection, incorporation, reshuffling, through travel, trade, subordination” (McSweeney, 2013). In fact, McSweeney is right with this assumption especially when analysing such profession as CG and the effects of culture on compliance. Hence, other factors such as the economical, legal and political have to be taken into account as to be seen and discussed in depth in the subsequent sections of this literature review chapter. Otherwise, such analyses will be incomplete, which will be avoided by this research as the second research question is intended to capture the effects of non-national culture factors on the level of CG compliance of listed Saudi corporations.

Nevertheless, the claims of McSweeney that the methodology of Hofstede’s model is fundamentally flawed and so are the questionnaire- method adopted in a functionalist paradigm have been critiqued by Williamson (2002). Williamson (2002) maintains that researchers into national cultures have carefully collected their data from large stratified samples, which they analyse with statistical techniques designed to “suppress subjective interpretations”. Therefore, Williamson sees that McSweeney’s rejection of Hofstede’s paradigm was done on “unclear premises, [hence,] his conclusions are difficult to assess”(2002). Therefore, Williamson (2002) sees McSweeney,

“argues mainly from the functionalist paradigm, but fails to falsify Hofstede model. For example, his arguments about reliability and validity do not stick or are insufficient to refute empirical studies that corroborate the model. His view that Hofstede model might assume uniform national culture is inconsistent with Hofstede research...McSweeney confusion can arise from a lack of clarity about the paradigm from which cultural research is debated...Unless, the flaws of McSweeney’s argument are recognized, there is a danger that readers may reject all functionalist models of national cultures, including those of Schwartz and of Trompenaars. They may reject the phenomena of national culture”.

Therefore, Williamson (2002) views favourably the significance of national cultural models and considers rejection of Hofstede’s or similar functionalist models of national culture, “before more satisfactory models have been developed, would be to throw away valuable insights. For social scientists working within the functionalist paradigm, quantification of national culture opens up what is otherwise a black box of cultural factors”(Williamson, 2002). Therefore, the researcher intends to quantify Hofstede (2010) CVD model to draw further insights upon which an answer to the first research questions can be accumulated. Most importantly, the paradigm upon which this research study will be based on is interpretive but it will border on functionalism as questionnaires’ constructs stem from the codes and principles of CG as a function. Further discussion of this research paradigm will follow suit accordingly in the following chapter, chapter 4. In fact, Williamson encourages adoption of different paradigm with such proceedings as he puts it,

“Moving research of national culture outside the functionalist paradigm would enrich its findings by facilitating inquiry into complex dynamic interrelationships among cultures, institutions, histories and social adaptations (bhimani, 1999; Harrison & Mckinnon, 1999; Redding, 1994)”(Williamson, 2002).

Moreover, important-warning signs of McSweeney's work as signified by Williamson (2002) such as "The danger of assuming all members of a culture homogeneity carry the same cultural attributes...[and] confusing scores for cultural dimensions with cultural constructs for which they are but approximate measures" will be taken into account for the purpose of this research study. Therefore, the questionnaires of this study will use the descriptive statistics to measure generally the CVD of Saudi shareholders via the CG constructs derived from the relevant CG literature. However, such measurements will be analysed further on groups via inferential statistical analysis to depict any anomalies between groups to address the existent of sub-cultural groups of Saudi shareholders.

In addition, other criticisms aimed at Hofstede's model are summarized in the table below:

Table 3.3: Arguments For and Against Hofstede

ARGUMENTS AGAINST HOFSTEDE	ARGUMENTS IN SUPPORT OF HOFSTEDE
<p>Relevancy</p> <p>Surveys are not appropriate instruments to measure cultural disparities as such variable being measured is a value which culturally sensitive and subjective (Schwartz, 1999). Hofstede response to this criticism is that surveys are one method, but not the only method that was used (Hofstede, 1998, p. 481).</p> <p>Cultural Homogeneity</p> <p>Hofstede's study assumes domestic populations are homogenous whereas nations are composed of groups of ethnicities (Nasif et al., 1991, p. 82; Redpath, 1997, p. 336). Plus, Hofstede tends to ignore the importance of community, and the variations of the community influences (Dorfman and Howell, 1988, p. 129; Lindell and Arvonen, 1996; Smith, 1998, p. 62).</p> <p>National Divisions</p> <p>Nations are not the proper units of analysis as cultures are not necessarily bounded by borders</p> <p>McSweeney (2000) - recent research has found that culture is in fact fragmented across group and national lines (DiMaggio, 1997). Hofstede points out however that national identities are the only means we have of identifying and measuring cultural differences (Hofstede, 1998, p. 481).</p> <p>Political Influences</p> <p>The outcomes, particularly those pertaining to Masculinity (Søndergaard, 1994, pp. 451-452) and Uncertainty Avoidance (Newman, 1996, p. 775), may have been sensitive to the timing of the survey. Europe was in the midst of the cold war and was still haunted by vivid memories of World War Two, similarly there was the communist insurgence in Asia, Africa and Europe. As a result of the political instabilities of the time, the sample lacks data from socialist countries, as well as from the less affluent Third World Countries.</p>	<p>Relevance</p> <p>During the time of its delivery there was very little work on culture, and at this time many businesses were just entering the international arena and were experiencing difficulties; they were crying out for credible advice. Hofstede's work met and exceeded this demand for guidance. Scholarly attention was also turning toward culture during this period, and Hofstede was considered a pioneer and pathfinder (Søndergaard, 1994, pp. 448-449).</p> <p>Rigour</p> <p>The research framework used by Hofstede was based on rigorous design with systematic data collection and coherent theory. This is just what scholars and the marketplace had been asking for</p> <p>(Søndergaard, 1994, pp. 448-449). However, many critics claim the sampling was flawed, being sparse and unevenly distributed (McSweeney, 2000).</p> <p>Relative Accuracy</p> <p>In Søndergaard's bibliographical analysis (1994) he compared the replications (research similar to Hofstede's IBM study, originated to compare his findings of Hofstede's research. 61 replications were analysed. The majority of the replications confirmed Hofstede's predictions. Four of the replications concurred in their entirety, and 15 showed partial confirmation. The only dimension of Hofstede's that could not be validly confirmed was 'Individualism', however, Hofstede addressed this issue by predicting that cultures will shift over time (Søndergaard, 1994, pp. 450-453).</p> <p>Several studies were developed not as replications, but along similar lines, to test the relevancy of Hofstede's questions. These have also confirmed the accuracy of Hofstede's four dimensions (Søndergaard, 1994, p. 453).</p>

<p>One Company Approach</p> <p>A study fixated on only one company cannot possibly provide information on the entire cultural system of a country (Graves, 1986, pp. 14-15; Olie, 1995, p. 135; Søndergaard, 1994, p. 449).</p> <p>Out-dated</p> <p>Some researchers have claimed that the study is too old to be of any modern value, particularly with today's rapidly changing global environments, internationalisation and convergence</p> <p>Too Few Dimensions</p> <p>Hofstede agrees, he believes additional dimensions should continue to be added to his original work (Hofstede, 1998, p. 481).</p>	<p>One Company Approach</p> <p>Hofstede said he was not making an absolute measure, he was gauging differences between cultures and this style of cross-sectional analysis was appropriate (Hofstede 1998, p. 481). In addition, Hofstede points out that the use of a single multinational employer eliminates the effect of the corporate policy and management practices from different companies influencing behaviour differently, leaving only national culture to explain cultural difference (Hofstede, 1980).</p> <p>Out-dated</p> <p>Hofstede countered saying that the cross-cultural outcomes were based on centuries of indoctrination, recent replications have supported the contention that culture will not change overnight (Hofstede, 1998, p. 481).</p>
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Source: Table adapted from Jones (2007).

Other criticism, apart from the early discussion, as depicted by table (3.3) such as in regard to relevance of Hofstede's dimensions being out-dated and having a political influence, a conclusive response might be that Hofstede's CVD model is widely used by scholars and practitioners as it has many appealing attributes (Furrer, 2000; Ross, 1999; Søndergaard, 1994, as cited in Jones, 2007). For instance, "Søndergaard (1994) found that Hofstede's 1980 study received 1,036 citations, while another highly regarded study on strategy by Miles and Snow received only 200 citations" (Jones, 2007). Moreover, it has been recommended that societal dimensions such as Hofstede's "should be considered in all cross-national studies of corporate governance" (Salter, Kang & Duong, 2015). In addition, "the cross-cultural outcomes were based on centuries of indoctrination; recent replications have supported the contention that culture will not change overnight" (Hofstede, 1998, p. 481).

Moreover, regarding cultural homogeneity criticism as depicted by table (3.3) and as discussed earlier, most reviewed anthropological studies such as Hofstede's (1982-2010) and Schwartz's (1992-2007) draw broad guidelines as their unit of analysis are the cultures whereas sociologists use the individual as a unit of analysis. Hence, sociologists can have multiple level of group analysis. Therefore, the researcher intends to avoid such generalization as he plans to use culture as a unit of analysis to capture the general and break down the dimensions on a micro-sociological level using the individual to draw comparison between groups of Saudi shareholders.

In addition, other criticism aimed at the methodology used by Hofstede (1982-2010) is that "surveys are not appropriate instruments to measure cultural disparities as such variable being measured is a value which culturally sensitive and subjective" (Schwartz, 1999). However, survey research is

appropriate for such a paradigm bordering on functionalism as discussed earlier. In addition, as Hofstede claims surveys are one method but not the only method used when he accumulated his results (Jones, 2007). In addition, another criticism is regarding the unit of analysis and that nations are not the proper units of analysis, Hofstede response to this critique is that “national identities are the only means we have of identifying and measuring cultural differences” (Hofstede, 1998, p. 481).

Moreover, regarding the rigorous of Hofstede’s tests and its statistical integrity, apart from the early discussion, many critics claim that Hofstede’s sampling was flawed and unevenly distributed (McSweeney, 2002, 2009, 2013). Nevertheless, other contributors to this debate view that Hofstede used “rigorous design with systematic data collection and coherent theory. This is just what scholars and the marketplace had been asking for (Søndergaard, 1994, pp. 448-449, as cited in Jones, 2007)”. In addition,

“the majority of the replications confirmed Hofstede’s predictions. Four of the replications concurred in their entirety, and 15 showed partial confirmation...[and] Several studies were developed not as replications, but along similar lines, to test the relevancy of Hofstede’s questions. These have also confirmed the accuracy of Hofstede’s four dimensions (Søndergaard, 1994, p. 450-453, as cited in Jones 2007).

Lastly, regarding the critique aimed at Hofstede using a one company approach and too few dimensions, critics claim that studies fixated on one company may not possibly provide information on the entire culture of a country (Graves, 1986, pp. 14-15; Olie, 1995, p. 135; Søndergaard, 1994, p. 449, as cited in Jones, 2007). However, Hofstede responded that he was not “making an absolute measure, he was gauging differences between cultures and this style of cross-sectional analysis was appropriate” (Hofstede 1998, p. 481). In addition, Hofstede points out that “the use of a single multinational employer eliminates the effect of the corporate policy and management practices from different companies influencing behaviour differently, leaving only national culture to explain cultural difference” (Hofstede, 1980). Moreover, Hofstede agrees that further dimensions shall continue to be added to his CVD model (Hofstede, 1998, p. 481). Hence, for purpose of this research the dimension of Long Term Orientation (LTO) found in the recent development of Hofstede (2010) model will be added to the investigation to address Saudi shareholders’ pragmatic approach towards their investments, orientation towards future dividends, and willingness to wait longer for dividends.

3.2.5.7 Significance of CVD Models

Understanding the impact of cultural values of societies on organisations has been suggested to be theoretically essential. Societal values highly influence organisations directly and indirectly (Schwartz & Sagiv, 2007). Specifically, personal factors such as individual's status, experience, and seniority are capable of providing individuals with the tools and abilities to influence organisational values (Gordon,

1991; Schein, 2010). Moreover, a high managerial position enables individuals to impose their views of what they think organisational values should be, such as dress codes, reward systems etc. Therefore, societal-culture values are capable of shaping organisational tasks even through governmental policies, media, and market systems (Schwartz & Sagiv, 2007).

Empirical evidence of this effect has been documented through the work of Smith, Peterson and Schwartz (2002). They use data representative of 47 countries to test the ability of CVDs derived from Hofstede (1984), and Schwartz (1994) to predict the specific source of guidance on which managers' rely. They found values to be highly successful in predicating reliance on tacit sources of guidance, and sources of guidance are highly relevant to vertical relationships within organisations. Hence, they conclude that values are predictable of the substantial variances in the use of most widespread sources of guidance provided by organisations. As a result, management programs employ the CVD of Hofstede to raise cultural awareness and form the basis of training institutes.

Moreover, Kluckhohn and Strodtbeck's values orientation theory (1961) suggests that attitudes are based on stable values. Therefore, human societies can answer a limited number of universal problems, and their cultures can represent different preferences among them. This way, values are capable of providing a method of measurement of cultural traits. As a result,

"the psychological study of values [is] worthwhile for several reasons. Using the values concept, the researcher can aim to cover the whole of life-space, not just the positive and the negative, as with attitudes. Values are central to human thought, emotions and behavior. They are cross-culturally relevant and valid, and finally, values allow both between-group and within-group comparisons" (Hills, 2002).

Hence, for the purpose of this research, Hofstede's model is more suitable as this research study is meant to assess the impact of Saudi culture on CG in light of minority shareholders' rights, to answer the first research question: To what extent do available cultural models (for example, Hofstede, 2010) explain the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia?

In addition, the application of culture as a unit of analysis as prescribed by Hofstede is not likely to be an issue as Saudi society does not possess a high degree of ethnic variety. In fact, it is found that the use of Hofstede CVD model has "greater validity at the ethnical level of analysis... in countries without high Ethnic variety" (Khastar et al., 2011). Nevertheless, statistical results aimed at measuring the CVD of Saudi culture on CG constructs, drawn from the rights of minority shareholders found in the OECD principles, will be broken down onto groups to address any variation that might be found between groups of Saudi shareholders. Hence, any existence of sub-cultures will be considered in the statistical analysis.

3.2.6 Pyramid of Social Norms and CG: Shareholders' Perspective

The study of social norms and their relations with the law is beneficial. Notionally, norms form a pyramid that is based on CVD theories found in cross-cultural psychology (Licht, 2001). Thus, various CVD models have the promise to advance our understanding of the relations between social norms, culture, and law. Nevertheless, by thoroughly reviewing the literature, the researcher finds it true as Licht (2001) confirms that the legal literature does not seem to recognise or be aware of this body of knowledge. However, in management and international accounting literature, Hofstede's (1984) CVD model dominates the analysis.

In addition, Licht (2001) explains theoretically how CVD models integrate both views of social norms. He explains,

"social norms scholars tend to define the term by specifying the mechanism that they believe engenders norms and maintains them. One can distinguish between two main lines of thought in this regard: the internal versus the external view of social norms. The key difference between these views is the identity, or location, of the factor that induces compliance with a norm. Under the internal view, this factor lies within the individual person. Depending on the situation, one feels compelled to obey the norm due to guilt or pride, namely, a "warm glow" for doing the right thing. Under the external view, people comply with social norms due to non-governmental enforcement and in light of a cost/benefit calculation of sorts."

Therefore, "as cultural values shape and inform people's internal utility functions, the theory of cultural value dimensions takes social norms analysis one step ahead...by providing an empirically validated framework with which to account for social phenomena that are otherwise difficult to reconcile with standard micro-economic predictions" (Licht, 2001). For instance, the norm of shareholder wealth maximisation stems from the CVD of *Individualism* found in Hofstede (1984 as cited in Licht, 2001). Conversely, the norm of stakeholders' rights is more consistent with Hofstede's collectivism dimension (Licht, 2001). As a consequence, it can be said that:

"a cultural profile functions as an external mechanism for enforcement of societal norm in concurrence with internal mechanism. As societal values are so deeply rooted in such a society, they shape social institutions and environment. "This environment [in turn] gives meaning to action, defines what is socially acceptable and [ultimately] exercise social control through sanctioning" (Licht, 2001).

Moreover, Licht recommends the use of the CVD frame work as it addresses the need expressed by researchers in CG studies to "operationlize social norms and integrate them into their analysis" (2001). In addition, even Hofstede, himself, witnesses the need for implementing the use of social norms through the CVD framework to address the issue of corporate legislation. He states, "*Uncertainty avoiding* countries will have a greater need for legislation than less-*Uncertainty Avoiding* countries" (Hofstede, 2005, p. 325). Moreover, theories embedded in the CVD framework are capable of unveiling the intriguing relation between the content of the law (Law on Books) and the corresponding social norms of compliance with the law (Law in Action) (Licht, 2001). As claimed by Licht (2001)

such dilemma is likely to exist in societies that emphasise *Autonomy and Egalitarianism* (in Schwartz's system) and *Individualism* (in Hofstede's model).

Nevertheless, "the pyramidal model of social norms enables one to specify conditions for effective use of the law in its expressive mode as a norm inducing means" (Licht, 2001). Even though law practitioners and scholars seem to overlook the importance of culture on laws and enforcements, there is a growing awareness among them regarding the relevance of national cultures to corporate governance practices around the world (Licht, 2001). This can be clearly seen in the recent, but still little, amount of work has been done in CG in relation to cross cultural psychology by law practitioners.

Contrary to tradition, Licht, (2000) theoretically sketches a cultural theory of CG based on the CVD framework by "implementing it to fundamental issues like shareholding structures, the regulations of self dealing, insider trading and disclosure" (Licht, 2000). The major theoretically conclusive findings of Licht (2000) are:

"National cultures can be seen, metaphorically, as the mother of path dependence dynamics in the sense that they play a role in both the origin and in future development of corporate governance systems.

In their very essence, values *are* social norms, as social norms affect individual behavior and social institutions. The social norms addressed in most of the current law and economics literature tend to be particular and context specific and may also change rather quickly. In contrast, values are more general and stable. [As it has been previously explained by the work of Max Weber in the *National Culture and Economic development* section]

One may thus imagine a pyramid of social norms in which cultural values constitute the foundations. Corporate governance systems build on these foundations to develop both formal and non-formal rules as well as structures.

A very promising avenue for further research lies in the thriving field of law and social norms. This line of research recently reached corporate law too. Legal scholars generally perceive social norms as rules "governing an individual's behavior that third parties other than state agents diffusely enforce by means of social sanctions." Norms [however] guide people's behavior after having been internalized as a result of a socialization process.

The CVD framework can lend itself to developing rigorous comparative approaches to social norms and their interrelations with the law in different cultures.

Moreover, the use of the CVD framework in corporate governance research should provide researcher with the shield of avoiding risks of relying on social myths and stereotypes" (Licht, 2000).

In addition, empirical evidence about the relations between national cultures and social institutions is well documented in the literature. For example, in a study of 52 nations, three social norms of CG such as the rule of the law, corruption, and accountability have been operationalised in accordance with the CVD framework (Licht, Goldschmidt & Schwartz, 2002). The findings reveal that there are strong associations between these three norms with the prevailing cultures in those 52 nations. Most importantly, the associations of culture with governance norms are found substantial even when critical

economic and historical factors were considered. These findings are very helpful in assessing legal systems and economic mechanisms. Moreover, it has been recommended by Licht et al., (2002) that research into the relations between culture, governance and economics is both timely and warranted.

Additionally, in an attempt to answer the intriguing question in what ways 'law on the books' reflect cultural values, an analysis between indices of investors' legal rights (as coded by La Porta et al., 1997), in relation to national cultural profiles (Hofstede and Schwartz), was conducted by Licht, Goldschmidt, and Schwartz (2005). Their findings present a strong association between statutory law and culture, specifically in the context of CG using CVD models. Therefore, they conclude that national scores on CVD models from the two leading theories in cross-cultural psychology, Hofstede and Schwartz, illustrate the fact that CG laws systematically relate to prevailing cultures.

Moreover, societal norms play major roles depending on the legal system under which firms are incorporated (Coffee, 2001). In his thorough review of the literature, Coffee states,

"One tentative generalization may, however, be advanced: Norms may matter most when law is the weakest. When formal law does not adequately protect shareholders, the strength of social norms becomes more important, because they could provide a functional substitute for law. Conversely, when legal rights and remedies adequately protect investors, there is less need for corporations to signal their intentions to observe standards that are already legally mandated or to develop creative means by which to bond those promises through self-help corporate governance measures" (2001).

Evidently, in a sample of 90,000 stakeholders drawn from 29 countries, evidence suggests that differences in stakeholders' reactions towards bad corporate acts appear to be consistent with differences in the cultures of those countries, using Hofstede's (1984) dimensions, (Williams & Zinkinn, 2008). Specifically, stakeholders in countries where *Individualism* is strong are more likely to punish firms for bad behavior than those in countries where collectivism is high (Williams & Zinkinn, 2008). In addition, stakeholders in countries where time is considered to be a scarce resource, *Short Term- Orientation*, are more likely to punish firms than those in countries where a *Long Term Orientation* prevails (Williams & Zinkinn, 2008).

In addition to that, *Globalisation* as a process has aided in the integration of worldwide competitive markets. It has also compelled firms worldwide to improve their CG regimes (Chan & Cheung, 2012). In fact, due to globalisation, good CG is expected by international investors to be a common strategy for corporations worldwide to satisfy the increasing demands of competitive markets. In a sample of 271 firms in 12 countries, it was found that Hofstede's CVD model has the explanatory power to reveal differences in CG worldwide (Chan & Cheung, 2012). The findings suggest that the dimensions

of *Individualism, Masculinity, and Uncertainty Avoidance* possess the explanatory power to predict CG scores for firms worldwide (Chan & Cheung, 2012).

"People from different cultures will have different levels of ethical sensitivity and their levels of ethical sensitivity are influenced by the values and beliefs that are socialized by people in their cultures. In fact, we should try to understand others who have different levels of ethical sensitivity than us because they have been brought up in such a way. When discussing CG, continuous patience, education and negotiation are needed to show people who hold low ethical sensitivity to CG that inappropriate ethical sensitivity and perception in doing businesses is harmful to society. At the same time, in cultures where people have lower ethical sensitivity to CG, closer observation may be needed to ensure that they are following the appropriate ethical guidelines" (Chan & Cheung, 2012).

These findings of Chan and Cheung (2012) are also supported by Armstrong (1996) and Chan and Cheung (2008). They all found that *Individualism* and *Ethical Sensitivity* are positively correlated. In addition, the fact that individuals in high individualistic countries strive for fair treatment from corporations is also supported by Hofstede (2005). Hofstede (2005) describes the highly individualistic societies to prefer reward allocations based on equity and the same rights for all. In turn, such view influences the CG practice to reflect individualistic beliefs.

Moreover, people in highly *Masculine* societies are found to have less ethical sensitivity (Blodgett, Lu, Rose & Vitell, 2001). In fact, those same people are also found to be less likely to be affected by codes of ethics (Lu, Rose & Blodgett, 1999). Hence, people in highly *Masculine* cultures are more concerned about their personal achievements and material wealth. By contrast, in a culture that possesses a high level of *Femininity*, people are found more compassionate and to have a strong ethical sensitivity (Hofstede, 2001; Nadler, 2002). Thus, *Feminine* orientated cultures are more inclined to improve their CG than highly *Masculine* ones.

Furthermore, people in high *Uncertainty Avoidance* cultures are found to be highly compliant with formal rules (Husted 2000; Vitell, Nwachukwu & Barnes, 1993; Weaver 2001). However, those same people do not recognise the ethical dilemma in business decisions when no formal rules exist (Schepers, 2006). In addition, those same people are found to value ethical values set by themselves within a group membership (Schepers, 2006). Consequently, they find it hard to respect or comply with ethical guidelines set by outside members (Schepers, 2006). As a consequence, CG rules that are set to serve all stakeholders are found to score low in countries with a high level of *Uncertainty Avoidance* (Chan & Cheung, 2012). Therefore, "people from high *Uncertainty Avoidance* cultures may feel uncomfortable adopting any new management practices when their 'own' ethical codes, which are beneficial to in-group members, have been applied for so long" (Chan & Cheung, 2012).

Moreover, some studies such as Rawwas's (2001) take the challenge of pairing Hofstede's dimensions to utilise societal groupings. As a result, Rawwas (2001) describes small *Power Distance* and weak *Uncertainty Avoidance* people to be 'functionalists'. High *Power Distance* and strong *Uncertainty Avoidance* people are described as 'deferents'. Weak *Power Distance* and strong *Uncertainty Avoidance* people are given the description of 'survivors'. Strong *Power Distance* and weak *Uncertainty Avoidance* people are viewed as 'enthusiasts'. Interestingly, Rawwas finds these four types of societies to hold opposing perceptions regarding the appropriateness of behavior in the market place. For example, 'deferents' were found so obedient to their bosses' rules, but were also found to have stringent ethical beliefs.

Rossouw (2005) states "the way in which a company treats its stakeholders reflects its ethical standards. It is therefore to be expected that companies for whom ethics is a priority will be sensitive to its stakeholders. This moral sensitivity will be reflected in the identification of stakeholders as well as in the manner in which they are being engaged by the Company" (p. 99). Hence, national culture CVD models are also capable of explaining existing corporate policies and procedures put in place.

In addition to that, the association of Hofstede's CVD model in the determination of the different dividend policies found worldwide has been recently under scrutiny by researchers. In a sample of 112,295 firms from 33 countries, it has been found that the cultural dimensions of *Uncertainty Avoidance*, *Masculinity*, and *Long-term Orientation* affect both the potential to pay dividends and the amount of dividends paid (Bae, Chang & Kang, 2012). In addition, this association has varied with the strength of CG regimes found worldwide, measured by the degree of investors' protection. The findings of this study also suggest that firms are more likely to pay lower dividends in high *Uncertainty Avoidance*, high *Masculinity* and high *Long Term Orientation* cultures (Bae, Chang & Kang, 2012). Hence, the relation between cultural dimensions and dividend level varies in accordance with the level of strength of investor protections.

"Collectively, cultural dimensions are negatively related to dividend levels and investor protection is positively related to dividend payouts. The cultural factors and investor protection, however, interact with each other, such that strong investor protection is positively associated with firms' dividend levels even in highly uncertainty-avoiding and/or highly masculine cultures.[Therefore,] national culture and investor protection independently affect firms' dividend payouts but also interact with each other, such that strong investor protection induces higher dividend payouts in high uncertainty avoiding and/or highly masculine cultures" (Bae, Chang & Kang, 2012).

In addition, level of dividend are found to be positively affected by the CG measures of firm size, dividend tax incentives, and negatively affected by financial leverage, growth rate and a country's stock market development (Bae, Chang & Kang, 2012).

Moreover, the predicative nature of Hofstede's CVD model has provided a strong support for the argument that norms rooted in such culture affect the CG practice, at least at the board level. 33,999 multinational firms in 15 industrial countries were empirically investigated by Li and Harrison (2008) to find out to what extent national cultures influence the composition and leadership structure of the boards of directors. Their findings supported the predictive nature of Hofstede's CVD model. Their results suggest that national cultures have a major effect on CG. For instance,

"Firms based in uncertainty avoiding cultures tend to have more outside directors on their boards and tend to consolidate the CEO and chair positions. Firms based in societies that value higher levels of individual freedom tend to have a higher percentage of outside directors on their boards, and also consolidate the leadership positions. Firms based in societies that value personal dominance (masculinity) tend to have fewer outside directors, and also to consolidate the leadership positions. Firms based in societies that prefer high power distances are more likely to have a single leader as both board chair and CEO and fewer insiders on the board" (Li & Harrison, 2008).

In addition, such relationship between Hofstede's CVD model and CG measures of board compositions and structures have been substantiated by other previous research, such as (Ghoshal & Bartlett, 1990; Doz & Prahalad, 1991; Nelson, 1993).

3.2.7 Market Maturity and CG: Shareholders' Perspective

The cultural influence on the level of CG is empirically investigated by Chan and Cheung (2008). Their findings are suggestive of the dimensions of *Power Distance* and *Uncertainty Avoidance* to be the most valuable indicators of the degree of CG, regardless of the maturity of a country's stock market. Also, their results suggest that Low *Power Distance* and Low *Uncertainty Avoidance* in a culture are associated with strong CG regimes worldwide. The logic behind such an association is the fact that shareholders in Low *Power Distance* countries are culturally equipped with applying more pressure on corporations to improve accountability, openness, and ultimately governance (Sweeney, 2008). In addition, people in low *Uncertainty Avoidance* cultures are more encouraged to speak about poor governance practices and, in turn, corporations are "more accustomed to handling such diversity, conflict, and feedback from shareholders" (Sweeney, 2008).

Therefore, despite of the historical significance of a nation's market or how long it has been in operation or whether or not it has reached maturity, cultural dimensions such as Hofstede's are more prevailingly predictive of better governance. "Age alone isn't enough to make people smarter or to provide more governance protections. A 'governance friendly' culture can help a newly developing country short-circuit problems that might be faced by other countries" (Sweeney, 2008).

3.2.8 Adopted CG Definition and its Implications:

There is a lot of logic in Sweeney's interpretations of the work of Chan and Cheung (2008) as such logic has been confirmed by other empirical studies such as Williams and Zinkin (2008). Hence, the adoption of Sweeney's definition of CG is worthwhile for the purpose of this study. Sweeney states, "corporate governance refers to forces that encourage management to be accountable and to act in the interests of stakeholders. These forces are varied and complex. They include the nature of the firm's organizational structure, type of legal system, accounting protections, and even the political" (2008).

Further evidence of the implications of Sweeney's definition is found in an empirical study of 41 countries regarding the issues of private benefits of control and earnings management (Zhang, Liang & Sun, 2013). Their findings suggest strong evidence of culture, legal rules, and law enforcement playing critical roles in shaping corporate behaviours. Their statistical results reveal the fact that both private benefits of control and earnings management are positively associated with the level of collectivism in any given society. In turn, both private benefits of control and earnings management are found negatively associated with the level of investors' protection in any given country (Zhang et al., 2013). Unlike in individualistic cultures, agency issues found between stakeholders are severe in collective cultures (Zhang et al., 2013). In addition, their results are robust as they included "controls for investor protection, country wealth, and economic heterogeneity across countries as well as international differences in Owner [ship concentration]" (Zhang et al., 2013).

Moreover, in an attempt to capture all determinants of investor protection around the world, Matoussi and Jardak (2012) embraced the dimensional diversity of cultural, legal, and political factors affecting the level of investors' protection in 81 countries, which in turn impacted on financial market development worldwide. Their findings suggest that high *Individualism*, low *Uncertainty Avoidance*, and low *Power Distance* are capable of providing stronger protections for investors worldwide. Moreover, the legal origin factor is found to have both direct and indirect impact on stock markets' capitalisations through the mediation of investors' protection legislation (Matoussi & Jardak, 2012). In addition, the political factor is found to have a direct effect on market capitalisations (Matoussi & Jardak). Lastly, religion and *Masculinity* are found not to be significant in causing variations among investors' protections and market developments around the world (Matoussi & Jardak).

3.2.9 Effects of Religions and Languages on CG: Shareholders' Perspective

In an attempt to determine the effect of religion and language as the core cultural proxies when examining the variations of investors' protections across countries, certain elements of cultural proxies have been found to be significant when accounting for legal origins (Stulz & Williamson, 2003). In a sample of 49 countries, the cultural proxies, language and religion, were found to play significant roles

in the variations of shareholders' rights worldwide (Stulz & Williamson, 2003). Also, these cultural proxies were found to have more explanatory power of how a country enforces investors' rights (Stulz & Williamson, 2003). Therefore, in Muslim countries close attention should be paid to institutional forces when investigating variations of shareholders' rights (Stulz & Williamson, 2003). In addition, the cultures of countries which were colonies not long ago tend to matter less. Hence, the cultures that matter more for institutions in those past colonised countries are rather the cultures of the colonising countries (Pistor, Keinan, Kleinheisterkamp & West, 2001). Moreover, the degree of openness to international trade of such cultures is found to mitigate the influences of religion and language (Stulz & Williamson, 2003).

A similar but rather more specific attempt to uncover whether or not cultures in general and religions in particular are capable of mitigating earnings management has been documented. A sample of 31 countries reveals that earnings management is unrelated to religions "despite the social stigma engendered by major religions against manipulative activities" (Callen, Morel & Richardson, 2010). Such result can be rationalised in many ways. "Unlike tax evasion for example, earnings management is not necessarily viewed by religious adherents as being solely manipulative. Earnings management may be more nuanced and may be ascribed, at least some of the time, to a positive economic activity, namely, management's attempt to signal firm productivity" (Callen, Morel & Richardson, 2010).

Such findings possibly convey the fact that religion might matter but rather implicitly, as it influences other cultural variables. Nevertheless, limitations of such findings have been attributed to possible aggregation of data, and small sample size restricting their ability to reveal concrete evidence (Callen, Morel & Richardson, 2010). However, the most intriguing finding of this study is that earning management is found negatively related to Hofstede (1980) cultural dimension of *Individualism* and positively related to the dimension of *Uncertainty Avoidance* (Callen, Morel & Richardson, 2010).

Therefore, the impact of culture on earning management in terms of religion is equivalent of the impact of culture on corruption. An analysis of the impact of culture on corruption using religion as a proxy, in a sample of 11 religious variables from 100 countries, for such culture was undertaken by Paldam (2001). The findings reveal that reformed Christian sectarians such as Protestants and Anglicans decreased corruption whereas the pre-reform Christian sectarians of Catholics and Orthodoxies did not (Paldam, 2001). Islam can be added to the pre-reform group as indicated by Paldam (2001). This nature of cultural effect in terms of religions on economic development is philosophically attributed to Max Weber's (1904) work, who predicted such a link a century ago, observing "clear signs of this mechanism were found but it is difficult to estimate from static-cross data as it has developed via historical processes" (Paldam, 2001). However, Adam Smith's (1776) assumption of religious

diversity's capabilities of reducing corruption is a suitable counterpart for further investigations of such an effect.

3.2.10 Summery

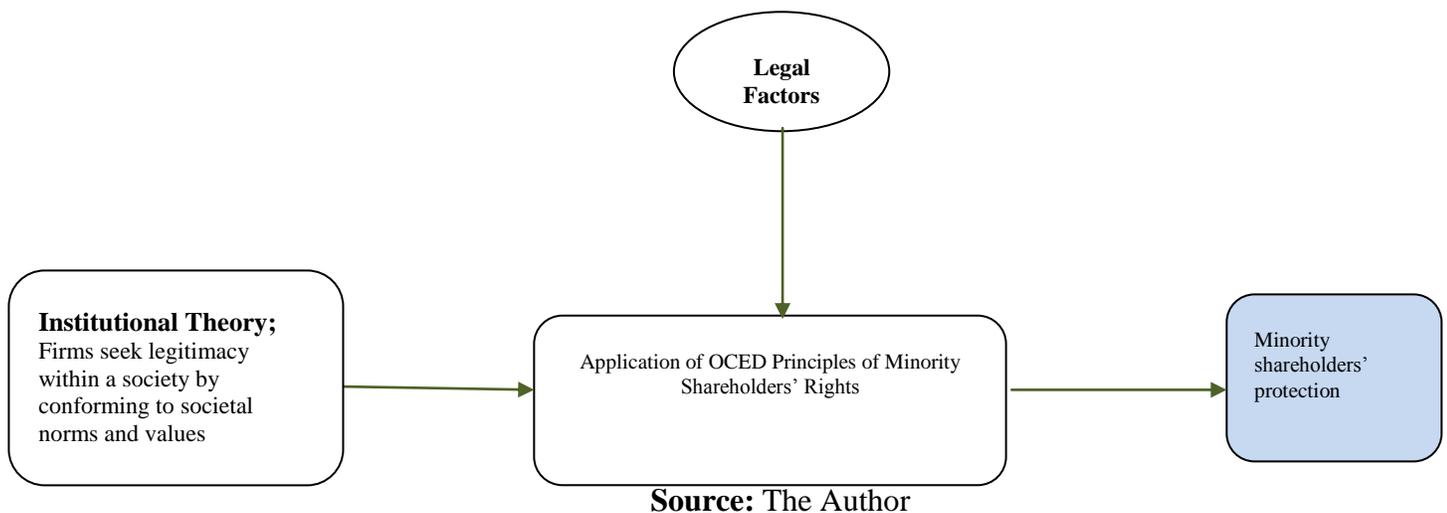
Cultural theory of CG based on the CVD framework has addressed fundamental issues pertaining to minority shareholders such as shareholding structures, the regulations of self dealing, insider trading and disclosure in previous research. Moreover, Hofstede's (2010) CVD model is more suitable to assess the impact of Saudi Culture on CG in light of minority shareholder's rights to answer the first research questions: To what extent do available cultural models (for example, Hofstede, 2010) explain the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia?

Implications of such association are going to aid in assessing the rights of minority shareholders in Saudi Arabia as they are culturally and economically driven. Specifically, Hofstede's CVD will account for social norms and their relations with the law in terms of CG as it has been suggested to be beneficial (Licht, 2001). Notionally, norms form a pyramid that is based on cultural value dimension theories found in cross-cultural psychology (Licht, 2001). Thus, value dimension models such as Hofstede's (1984) offer the promise of advancing understanding of the relations between social norms, culture, and law (Licht, 2000).

3.3 Legal Literature

In order to answer the second research question of this thesis, regarding the legal factors that might influence the level of CG compliance of listed Saudi corporations with minority shareholders' rights, a review of the relevant international legal literature on CG will contribute largely in terms of identifying critical legal constructs to implement via a research method to investigate the Saudi legal environment.

Figure 3.3



3.3.1 Ownership Concentration: A Response to Berle and Means' (1932) Assumption

Berle and Means' (1932) assumption of listed corporations' shares being massively dispersed in the long run has been challenged by researchers in CG specialising in the law area. In a study aimed at identifying the ultimate shareholders of large corporations in 27 countries, findings suggest a completely different picture than the once predicted by Berle and Means (La Porta et al., 1999). Firstly, in countries where there is weak shareholder protection, most large corporations are dominated by controlling shareholders such as states, or families. Secondly, these controlling shareholders have excessive control over large corporations, exceeding their cash flow rights, through pyramidal structures and other controlling means. Hence, large corporations in these countries with weakly legislated investor protection have a dilemma of separation of ownership and control; however, it is far from what was predicted by Berle and Means (1932). Thirdly, these controlling families are set to monitor top management, who are largely found to be members of the same controlling families. Thus, these controlling families have the power and interest to expropriate minority shareholders. Fourthly, controlling families are found to neither support nor encourage legal reforms enhancing minority

shareholders' rights. Instead, these families are found to lobby against such reforms. Fifthly, La Porta et al. state that "ownership concentration is a consequence of poor legal protection of minority shareholders casts doubt on the theory of Mark Roe (1994): policy discouraging ownership concentration" (1999).

Moreover, in their work, La Porta et al. (1999) recommend ways of solving the agency conflict between controlling families and minority shareholders through improving the legal environment. Their recommendations focused on implementing the tools of extensive disclosure and one-share one vote mechanism. Nevertheless, they admit such strategies will not succeed as long as those controlling families are hiding behind their pyramidal structures. Perhaps, making the legal reform more radical in giving minority shareholders explicit rights to protect them from expropriation and enabling these explicit rights to be remedied might prove to be a progressive step, as suggested by Berglof (1997). In summary, "existing ownership structures are primarily an equilibrium response to the domestic legal environments that companies operate in" (La Porta et al., 1999). Hence, it is quite hard for potential entrepreneurs seeking external capital to succeed in an environment where they have no such persuasive political voice as those controlling families (La Porta et al., 1999).

In addition to that, the legal environment is arguably seen as a potential agency cost as it serves the purpose of powerful parties at the expense of others. For example, in a mathematically-theoretical study designed to uncover the relationship between this type of an agency cost and how it operates in relation to concentration of ownership and control, it was found that this cost was as real as any other costs (Jensen & Meckling, 1976). Therefore, "the level of agency costs depends, among other things, on statutory and common law and human ingenuity in devising contracts" (Jensen & Meckling, 1976). Hence, the law relevant to modern corporations worldwide should be viewed as the product of a historical process shaped by interested parties.

3.3.2 The Link between Poor Investor Protection and Undeveloped Markets

In a sample of 49 countries, the findings of La Porta et al. (1999) reveal a strong relationship between weak investor protection regimes and the sizes of their capital markets. Also, their findings confirm the notion that enforcement regimes of legal environments, as characterised by legal rules, have a major impact in determining the size of any given country's capital market. The logic behind such associations is that, "a good legal environment protects the potential financier against expropriation by entrepreneurs-it raises their willingness to surrender funds in exchange for securities, and hence expands the scope of capital markets" (La Porta et al., 1997). In addition to that, this study is considered one of the first to reveal how civil law countries, such as France, arguably have poor

investor protection, which led them to have less developed markets as compared to common law countries such as England. Such evidence is rationalised as having 'unfriendly' investor law which:

- Kept investors relatively weak
- Assured controlling families and states larger roles to play in economic development (La Porta et al., 1997).

In addition, La Porta et al. (2000b) argue that the legal approach is a more suitable way in aiding our understanding of CG and its reforms worldwide than the traditional distinction between bank-centred and market centred financial systems. As a result, La Porta et al. (2000b) sought to support such a notion by collecting data from 49 countries classified by their legal origins. Hence, their findings reveal that a strong investor protection is highly associated with effective CG in countries characterised by "broad financial markets, dispersed ownership of shares, and efficient allocation of capital across firms" (La Porta et al., 2000b). Moreover, their findings also reveal how natures of different CG regimes around the world are rooted in the legal origins of their laws. In addition, the findings of La Porta et al. (2000b) enforce their previous findings of (1997) that existing CG regimes around the world are designed to benefit key politicians and controlling families.

Moreover, in an attempt to unveil the effects of degrees of legal protections on valuations of listed corporations worldwide, the findings of La Porta et al. (2002) offer strong evidence of high valuation of firms in countries with strong protection for minority shareholders, from a sample of 539 large firms located in 27 wealthy economies. Hence, their findings indicate how weak protection of minorities in such countries is causing lower valuations for their large corporations. Nevertheless, this finding is offset by the high level of cash flow ownership which improves valuations of firms in those countries (La Porta et al., 2002). Overall, La Porta et al. (2002) assist in explaining the link between various investor protection regimes around the world, and the level of market development. In addition, they help in explaining, "the role of investor protection in shaping corporate finance, by clarifying the roles which both the incentives and the law play in delivering value to outside shareholders" (La Porta et al., (2002)

After building a model empirically capable of predicting the link between the degrees of investor protection in a given country in relation to its corporate valuations, La Porta et al. (2002) gathered data from 4,000 companies from 33 countries to investigate the effect of dividends. They created two agency models of dividends. "The first model predicts that stronger minority shareholder rights should be associated with higher dividend payouts; the second model predicts the opposite" (La Porta et al., 2002). Their findings reveal that corporations located in countries with strong investor protection pay

higher dividends. Furthermore, fast growth firms in these countries pay lower dividends than slow growth corporations.

Hence, such evidence reveals how well-protected shareholders are willing to wait for their dividends, unlike in countries with weak investor protections (La Porta et al., 2002). Therefore, this evidence indicates how well-protected shareholders entrust corporations to seize opportunities as opposed to weakly protected investors, who seem to be willing to take whatever dividends they can get their hands on. As La Porta et al. (2002) state "firms appear to pay out cash to investors because the opportunities to steal or miss-invest it are in part limited by law, and because minority shareholders have enough power to extract it. In this respect, the quality of legal protection of investors is as important for dividend policies as it is for other key corporate decisions".

Moreover, vote value studies reveal some insights into minority shareholder protection issues in cross country analysis. The findings of Nenova (2003) highlight the significance of the legal framework in 'curbing private benefits' using a sample of 661 dual class firms in 18 countries. Nenova undertook a :

"study of vote value by transferring the focus away from the value of a single vote towards the control block as a measure of the value of voting power. The legal framework that governs the link between those two magnitudes is made explicit ... [Hence] Law enforcement, investor protection, takeover regulations, and corporate charter provisions together explain 68% of the systematic differences in the value of control-block votes"(Nenova, 2003).

Theoretical supporting evidence of the above findings of Nenova (2003) is found in Grossman and Hart's work (1987). The findings of Grossman and Hart (1987) conclude that a one share-one vote mechanism is capable of reducing the effect of block holding and the size of private benefits. Also, their theoretical findings show how the dispersed assignment of income claims to voting rights "determines the extent to which an acquirer must face competition from parties who value the firm for its security benefits rather than its private benefits" (Grossman & Hart, 1987). Hence, it is in the shareholders' best interests to accumulatively aid in setting the cost of acquiring control as high as possible (Grossman & Hart, 1987).

3.3.3 Critique of La Porta, Lopez-de-Silanes, Shleifer and Vishny's (LLSV) work

In recent years, many studies have used the variables in La Porta et al. (1997-1998) on shareholders' protections in CG. Due to the ground breaking effect of the La Porta et al's studies regarding shareholders' protection worldwide, studies such as Dyck and Zingales (2004), Licht et al. (2005) and Paganos and Volpin (2005) rely on its findings in terms of the variables used to determine the degree of shareholder's protections in cross-country studies. In addition to that, the European Commission's 'draft directive' regarding shareholders' rights explicitly refers to La Porta et al. (Siems, 2006).

Nevertheless, other researchers cast some doubts on La Porta et al.'s significant variables (e.g. Braendle, 2006; Cools, 2005; Spamann, 2006). Conclusively, these opposing studies identify some coding errors in the construction of the *Anti-Director Index* used by La Porta et al. Specifically, these researchers perceive the limited number of significant variables suggested by La Porta et al. to be hardly sufficient to provide any meaningful picture of the legal protection of shareholders worldwide (Siems, 2006).

Conversely to La Porta et al.'s index of 1997, Lele and Siems's (2007) study builds a new protection index for five countries (UK, US, Germany, France, and India) and traces the developments of the law over the past 30 years. Lele and Siems (2007) call the methodological quantification of the legal rules across time series and legal system they use their '*Leximetrics*'. In addition, their findings imply improvements in shareholder's protections over the past 35 years. Contrary to La Porta et al., Lele and Siems' (2007) study suggests that the legal protection of shareholders in the US is weaker compared to 'block-holders' countries such as France, Germany and India due to the care exercised by legislators in those countries in framing laws responsible for the protection of minority shareholders. In addition, Lele and Siems state, "[their examination] does not confirm the distinction between common-law and civil law countries" (2007). Nevertheless, one of the limitations of their studies is that the 'score' of their shareholder protection index is not tested in terms of whether or not it could provide better CG and ultimately boosts the economical development of any given country (Lele & Siems, 2007).

In their article on the '*leximetric analysis*' (Lele & Siems, 2007), both authors provide some analytical insights of Siems' (2006) findings that La Porta et al.'s choice of variables suffer tremendously from a US bias. Hence, La Porta et al.'s *Anti-Director Index* is a poor proxy for shareholders' protections in general. In addition, La Porta et al.'s *Anti-Director Index* variables do not capture the most significant elements of the law pertaining to shareholders' protections (Lele & Siems, 2007; Coffess, 2001).

Hence, La porta et al.'s assumption of good shareholder protections regimes worldwide being capable of producing more dispersed ownership structure in developed capital markets is found unproven.

Moreover, the division between common law and civil law countries emphasised by La Porta et al. is also found misleading. "Although there is more dispersed shareholder ownership in the US and the UK, this commonality is not reflected in the law on shareholder protection. With respect to the law, generalisations about (Anglo-Saxon) common-law countries and (Continental) civil-law countries are therefore doubtful" (Siems, 2006). For instance, "if one speaks of colonies (and not members of the same legal family) it becomes clear that the reasons for differences among countries may be a consequence not only of different legal origins but also, for instance, of the ongoing political and economic effects of colonization" (Siems, 2007). Notably, Siems (2006) points out that as "the social,

political and economic conditions that form the background to shareholder law come closer together internationally, the law itself will also grow more similar (“convergence through congruence”). Secondly, individual interest groups will press for a greater approximation of laws (“convergence through pressure”).

Further doubts of the applicability of La Porta et al.’s index of 1997 is cast by Cools (2005). "A broad array of legal sources, however, reveals many mechanisms that interfere with, or substitute for, the mechanisms for shareholder protection used to construct the [La Porta et al] index. Hence, recoding of the index to include these sources yields no significant differences between common law and civil law jurisdictions (Cools, 2005). Therefore, this finding analytically sabotages the countless studies assuming different degrees of investor protection between common and civil law countries. Nevertheless, a major area of difference between the US and Continental Europe is found in the distribution of power within corporations (Cools, 2005). For instance, management in any US corporation has the legal power to run a corporation without the effect of other constituencies to intervene (Cools, 2005). On the other hand, the law, in Continental Europe, puts the power in the hands of stockholders. Thus, the board of any given corporation cannot ignore nor overlook stockholders' views (Cools, 2005).

Moreover, the prevailing concentrated ownership structure in Continental Europe is arguably understood in terms of the distribution of power as it is granted in the hands of large shareholders. For example, in Continental Europe, the law empowers majority shareholders to appoint the board and hold its members accountable to their wishes (Cools, 2005). Unlike in Continental Europe, the United States’ laws empower management, along with boards, to run listed corporations (Cools, 2005). Hence, allowing more dispersed structure of ownership. “This difference in the way corporate law distributes the powers within a corporation has too often been neglected in legal and economic scholarship...Revising received theories from this new angle therefore promises to yield many new insights" (Cools, 2005).

In addition, the different legal systems available worldwide have produced different laws regulating shareholders' protection. Nevertheless, the criteria set by La Porta et al.’s index of 1997 is contestably viewed as hardly recognisable of this simple fact (Braendle, 2006). In a thorough review of company law in the US and Germany, Braendle (2006) states, “Proxy votes of banks, the deposit of shares and cumulative voting in Germany illustrate where LLSV sticks to US-oriented criteria without giving Civil Law countries the opportunity to meet the goal of the criterion with other means" (Braendle, 2006). In addition, after re-coding the criteria, Germany is, to a large extent, found to perform much better than in the original study produced by LLSV (Braendle, 2006). Therefore, it is clear to Braendle

(2006) that LLSV's index does not consider the different ownership structures neither does it recognise the different allocation of power within corporations worldwide.

Another attempt of re-coding LLSV (1998) *Anti Director rights' Index* pertaining to shareholder's protection using the same 46 countries in 1997 and 2005, the findings of Spamann (2006) suggest that LLSV index's values "are neither distributed with significant differences between Common and Civil Law countries, nor predictive of stock market outcomes" (Spamann, 2006). Hence, Spamann claims that the countless empirical studies, over the past 10 years, using LLSV non-recoded index as a measure of investor protections have obtained erroneous results. Thus, Spamann views the link between the strength of shareholder's protection and the dispersion of ownership in LLSV's (1999) work as fragile and ultimately their stock market predictions as suspicious.

3.3.4 LLSV Response to Criticism

Djankov, La Porta, Lopez and Shleifer (2008) re-constructed a new index of shareholder's protection for 72 countries. Their new index is aimed at addressing the protection of minority shareholders against self-dealing transactions benefiting controlling stakeholders (Djankov et al., 2008). They claim this new self-dealing index is better grounded in theory as opposed to the *Anti-director index* constructed by LLSV (1997-1998). The reason for this was that the new index is derived from the historical legal principle of fiduciary duties (Djankov et al., 2008). In addition to that, this new index, according to Djankov et al. (2008), is composed of the same variables found in the *Anti-Director Index* as well as the indices of shareholders' protection found in securities laws previously constructed by La Porta, Lopez and Shleifer (2006). They also claim that this new index is higher in common law countries than in civil law countries. Moreover, they claim this new *Anti-Self-Dealing Index* is statistically significant and is economically a strong predictor of stock market developments (Djankov et al., 2008). They explain,

"self-dealing is the central problem of corporate governance in most countries, the law's effectiveness in regulating this problem is the fundamental element of shareholder protection. This suggests to us that, in general, the anti-self-dealing index is preferable to the anti-director-rights index in cross country empirical work" (Djankov et al., 2008).

Nevertheless, they admit, "this does not mean that politics, media, or cultures do not affect legal rules – they surely do. But the evidence shows quite clearly that legal origins are not merely proxies for politics or media; they exert large and powerful influences on legal rules"(Djankov et al., 2008).

In addition, they explain the rationale behind the differences found between the common law countries as opposed to the civil law ones as due to the treatment of each in regard to related party transactions in terms of closer regulatory and legal scrutiny (Djankov et al., 2008). Also, they reaffirm their result of

common law countries subjecting related party transactions to greater disclosure and arm's length approval to early findings by La Porta et al., (2000).

Djankov et al. (2008) summarise their results as follow:

1. "Our results suggest that effective regulation of large self-dealing transactions combines full public disclosure of such transactions (including potential conflicts) with the requirement of approval by disinterested shareholders.
2. To avoid shareholder involvement in the daily activities of such groups, the law needs to set lower bounds on which intra-group transactions must be disclosed and brought to shareholders for approval.
3. We stress that this approach to regulating self-dealing is compatible with any legal system, and is appropriate for both rich and developing countries. La Porta, Lopez-de-Silanes, and Shleifer (2006) also report significant benefits of full disclosure for stock market development with regard to firms issuing securities to the public.
4. The evidence suggests that ongoing disclosure of self-dealing transactions, combined with a relative ease of litigation by aggrieved shareholders, also benefits stock market development.
5. Our results suggest that giving aggrieved shareholders the standing to sue, access to information to examine self-dealing, and a low burden of proof would deter investor expropriation and promote stock market development
6. The evidence suggests that the government's power to impose fines and prison terms for self-dealing transactions does not benefit stock market development. We stress that this is a narrow conclusion, since we lack data on the actual enforcement of criminal sanctions and cannot rule out that public enforcement matters under alternative scenarios.
7. To avoid self-dealing, however, it appears best to rely on extensive disclosure, approval by disinterested shareholders, and private enforcement."

Shortly after their collaboration with Djankov in their (2008) study, La Porta and his colleagues, Lopez-de-Silanes, Shleifer and Vishny, followed up the previous study with further analysis using the same data. In their analysis of La Porta et al. (2008), they justify their initial stand of La porta et al's., (1997) assumptious findings in regard to the prevalence of common law over civil law in providing a better investor protection legal framework. Also, they cement their previous claim that differences in legal regulations are attributed to the legal origin (La Porta et al., 2008). They explain, "the policy implementing focus of civil law versus the market supporting focus of common law—explains well why legal rules differ"(La Porta et al., 2008). In addition, they add that their theory of the legal origin will hold as long as the world economy guided by capitalism remains stable (La Porta et al., 2008). Hence, more countries will converge with the common law legal environment to better improve and develop their capital markets (La Porta et al., 2008). Otherwise, a shift towards embracing the Civil Law is more likely as historically documented (La Porta et al., 2008).

Moreover, La Porta et al. (2008) claim that legal origin is closely tied to the type of capitalism. Therefore, the appropriate question to ask accordinagly is which type of capitalism is likely to prevail in the long run; the market focus or state centered capitalism (La Porta et al., 2008). Nevertheless, *Globalisation* will have a major effect on both systems as exchange of ideas about laws and regulations is more likely to increase the transfer of legal knowledge (La Porta et al., 2008). Hence, convergence

will work both ways. For instance, a common law country such as the US has adopted a policy–state legislation to address a social problem through the Sarbanes-Oxley Act (La Porta et al., 2008). On the other hand, in Continental Europe, there has been a reduction in labour regulations and increase in shareholder's rights (La Porta et al., 2008).

3.3.5 The Impact of Shareholders' Rights on Firms' Earnings, Valuations and Law Convergence

In an attempt to investigate the relationship between the strength of investor protection, firm performance and valuations, a sample of 1500 large firms during 1990-1999 was empirically investigated by Gompers, Ishii and Metick (2003). Using the 24 governance rules ascribed in the Investor Responsibility Research Center (IRRC) Gompers et al. (2003) constructed a Governance Index, entitled the *G Index*, to measure the strength of shareholders' rights in relation to firm performance and valuation. Their results indicate a strong correlation between CG and stock returns. For instance, "an investment strategy that purchased shares in the lowest-*G* firms ('Democracy' firms with strong shareholder rights), and sold shares in the highest-*G* firms ('Dictatorship' firms with weak shareholder rights), earned abnormal returns of 8.5 percent per year" (Gompers et al., 2003). In addition, corporations in democratic countries, where shareholders rights are strong, were found to be valued higher and have high returns correlating with higher performances. Nevertheless, the only limitation of this study is accredited to the data not allowing strong conclusion about causality (Gompers et al., 2003).

The relative importance of the 24 provisions found in the Gompers et al. (2003) *G-Index* was investigated by Bebchuk, Cohen and Ferrell (2009) using a sample of 3,200 firms from 1990-2003. Their findings reveal that increases in the index components are found 'monotonically' correlated with economical reductions in corporate valuations and negative returns (Bebchuk et al., 2009). In addition, 18 of the IRRC provisions were found uncorrelated with reduction in firms' valuations and negative returns (Bebchuk et al., 2009). Arguably, this study identifies the six 'entrenching' provisions responsible for the causality, and they are titled in the E-Index this: staggered boards; limits to shareholder by law amendments; poison pills; golden parachutes; supermajority requirements for mergers; and charter amendments (Bebchuk et al., 2009). Bebchuk et al. state,

"our analysis cautions against the "kitchen sink" approach of building ever-larger indexes of governance measures... any large set of governance provisions, many are likely not to matter or to be an endogenous product of others... [hence] adding more provisions to an index is hardly bound to be beneficial; in this area, less can be more. Shareholders and their advisers might do well to focus on those corporate governance provisions that really matter for firm value" (Bebchuk, Cohen, Ferrell, 2009).

Moreover, the documented association between governance indices and abnormal returns from 1990-1999 has diminished as indicated by a sample of 3,400 firms from 1990-2008 (Bebchuk, Cohen & Wang, 2013). The findings of their study reveal that one of the reasons behind the diminishing returns is due to the fact that market participants have learnt to appreciate the difference between good governance and poor governance corporations (Bebchuk et al., 2013). Furthermore:

"the correlation's disappearance was associated with increases in market participants' attention to governance; market participants and security analysts were, until the beginning of the 2000s but not subsequently, more positively surprised by the earning announcements of good-governance firms; and, although governance indices no longer generated abnormal returns during the 2000s, their negative association with firm value and operating performance persisted" (Bebchuk et al., 2013).

Another attempt examining whether or not strong shareholders' rights induced higher earnings quality is carried by Jiang and Rajan (2009), using a sample of 5,658 firms. Their findings reveal that greater shareholder empowerment, as measured by the Gompers's Index, is found to correlate with higher earnings (Jiang & Rajan, 2009). Nevertheless, this positive effect is weakened when controlling for institutional investors concentrating on short-investment horizons (Jiang & Rajan, 2009). Evidently, institutional investors appear to have used their increased empowerment to influence management so that they could increase the value of their shares in the short run (Jiang & Rajan, 2009). Hence, this study sheds lights on the type of institutional ownership and its effect on the quality of corporate earnings. However, the main limitation of this attempt is the sample size, which was restricted to available date on both shareholders' index and institutional ownership (Jiang & Rajan, 2009).

In addition to that, in examining the effect of the *International Financial Reporting Standards* (IFRS), mandatory adoption and investor protection on the quality of accounting earnings, a sample of 46 countries from the period of 1998-2007 reveal a strong association (Houque, Van Zijl, Dunstan & Karim, 2012). The findings indicate that adoption of IFRS standards 'per se' does not lead to increase in earnings quality. Rather, earning quality is increased when mandatory IFRS standards are adopted in a country where the investor protection regime is found to be already strong (Houque et al., 2012). Regardless of this study's limitation illustrated by the short time period of observation after the introduction of mandatory IFRS adoption, this study reinforces previous studies in that "earnings have relatively higher quality in countries with strong investor protection regimes" (Houque et al., 2012).

3.3.6 Law Enforcement and Remedies

As recent CG researchers have found systematic differences in ownership concentration, stock market development, and voting rights, these differences seem to associate closely with the strength of legal protection given to minority investors (Coffee, 1999). In addition, enhancing capital market growth, ownership dispersion, and liquidity of securities markets have been found to be directly associated with

the quality of legal protections given to minority shareholders (Coffee, 1999). However, the quality of CG laws is found to matter less as compared to the strength of the CG enforcement practices worldwide (Coffee, 1999). Perhaps, "enforcement may depend more upon the strength of the incentives to assert legal remedies than upon the availability of legal remedies, themselves" (Coffee, 1999).

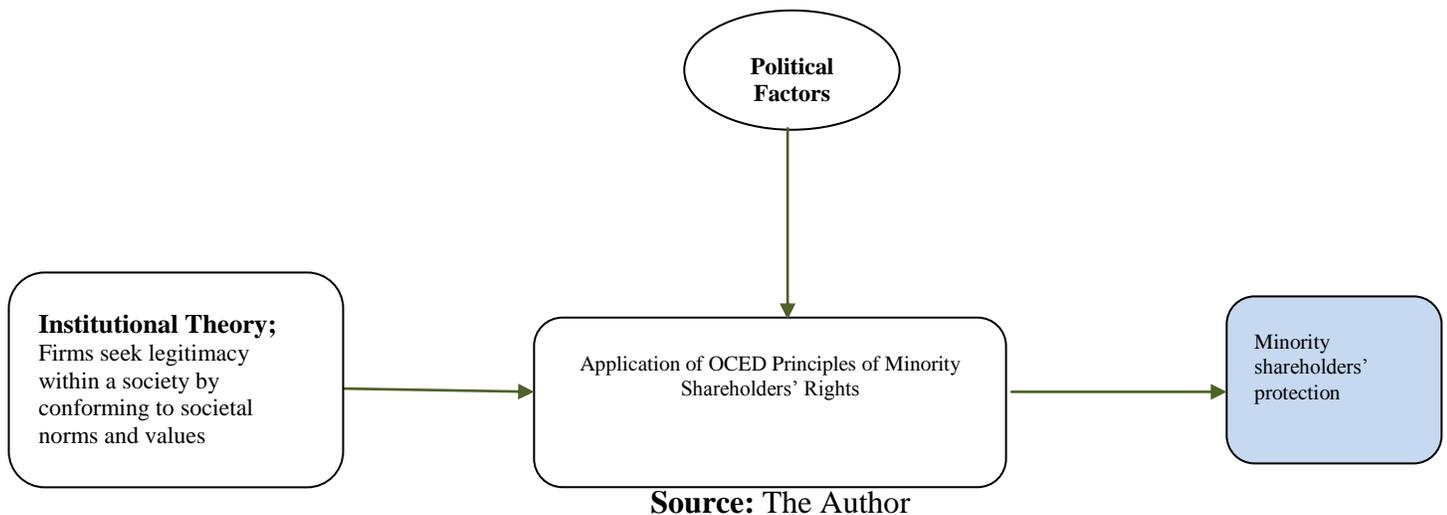
3.3.7 Summary

Due to the increasing evidence that newly privatised markets have failed to set up viable securities, legal scholars are focused on the dichotomy between dispersed and concentrated ownership structure. Hence, they view the legal protection for minority shareholders as the significant variable underlying the growth of 'viable' securities markets (Coffee, 1999). Moreover, expedited privatisation not accompanied by minority protection and adequate disclosure is more likely to lead to expropriation of minority shareholders (Coffee, 1999b). This observation of Coffee (1999b) is apparent in most developing markets, such as Saudi Arabia's. In addition, facilitating a dispersed ownership structure is more likely to produce desirable social and political consequences in the long run (Coffee, 1999).

3.4 Political

In order to answer the second research question of this thesis, regarding the political factors that might influence the level of CG compliance of listed Saudi corporations with minority shareholders' rights, a review of the relevant international political literature on CG will contribute largely in terms of identifying critical political constructs to implement via a research method to investigate the Saudi political environment.

Figure 3.4



3.4.1 Politics as the Link between Legal Rules and Economic Outcomes

The political literature on CG is seen as the bridge between the legal rules and economic development. Hence, some political theories have been proposed to explain CG. For instance, Pagano and Volpin (2005) analyse the political determinants of investor protection and propose a model of the political determinants of the degree of protection for shareholders using a sample of 45 countries plus the 21 OCED countries of 2005. Their findings unveil the following:

1. Under Proportional Voting Systems, winning majority votes means winning the election, the political consequence is a low degree of shareholder protection. Nevertheless, this proportional voting system provides "a high degree of employment protection-benefiting entrepreneurs and workers and damaging outside shareholders" (Pagano & Volpin, 2005).
2. Under Majoritarian Voting Systems, winning more districts means winning the election, the political outcome is a high degree of shareholder protection and low employment protection. Hence, legislation features strong investor protection which leads to an outcome preferred by outside shareholders.

Pagano and Volpin (2005) explain the rationale of their proposed model as, "company law can be changed by politicians easily any time: having a political economy model can formalise the behavior of

voters and politicians in response to the economic interest as well as their ideologies" (Pagano & Volpin, 2005).

Therefore, Pagano and Volpin (2005) conclude that the correlation between the legal origin theory of LLSV and shareholders' protection does not, "provide a theory of the determinant of investor protection...no clear reason why common law countries provide non-controlling investors with better protection... [Hence,] LLSV theory lacks predictive power: in civil law countries non-controlling shareholders are doomed to weak protection no matter what they do" (Pagano & Volpin, 2005).

3.4.2 Ownership Structure as a Political Consequence: Crony Capitalism

The continuous debate over the *Common Law vs. the Civil Law* in light of investors' protection has obscured a significant effect of a hidden variable contributing to the growth of securities markets and this variable is the level of government involvement in economic decision making (Coffee, 2001). In reviewing *Company laws* and cases in the U.S, UK, Germany, and France, the findings of Coffee (2001) suggest that generalisations are emerging from a historic examination of the rise of dispersed ownership. Firstly, the growth of security markets and increase in dispersed ownership correlate, "closely not with specific legal rules or protections, but with the appearance of a private sector that is relatively free from direct governmental interference" (Coffee, 2001). Secondly, the political economies characterised as decentralised nurture the growth of security markets by allowing entrepreneurs to invent their own techniques to make their investments credible for stakeholders to invest in (Coffee, 2001). Thirdly, in centralised economies, federal governments find it convenient to use large banks to achieve their purposes (Coffee, 2001). Hence, government economical interventions in world markets are likely found to "outweigh the impact of legal variables, including the choice between common-law and civil-law rules" (Coffee, 2001).

In addition, the division between the two dominant market structures, the bank-centered and market-centered, is rather a matter of in whose hand control should be placed in order to favourably serve the political agenda (Coffee, 2001). For example, bank-centered economies are politically designed to facilitate governmental control over the flow of investments whereas market-centered economies are politically designed to allow entrepreneurs to devise their own control (Coffee, 2001). Therefore, "much contemporary evidence demonstrates that concentrated ownership systems can serve as a means by which powerful families and governments reinforce each other and control economies in some areas of the Third World" (Coffee, 2001). Hence, crony capitalism is the political outcome of such mutual reinforcing technique and is the dark side of concentrated ownership (Coffee, 2001).

Moreover, once the concentrated ownership structure transforms into crony capitalism, uniting both the political and the economical powers, the effect of the law becomes minimal (Coffee, 2001). On the other hand, once the private sector adopts good governance, it will consequently "generate credible signals that investors rights will be protected, then an equity market can arise, and in time protective legislation will predictably follow" (Coffee, 2001).

In addition, Coffee (2001) views remedial legislation as very desirable in establishing strong minority protections. As a consequence, Coffee (2001) proposes a theory of 'Path Dependency'- postulating:

"Instead that institutions evolve along path-dependent trajectories, which are heavily shaped by initial starting points and pre-existing conditions... [Hence,] LLS&V thesis may in effect read history backwards. They argue that strong markets require strong mandatory rules as a precondition. Although there is little evidence that strong legal rules encouraged the development of either the New York or London Stock Exchanges (and there is at least some evidence that strong legal rules hindered the growth of the Paris Bourse), the reverse does seem to be true: Strong markets do create a demand for stronger legal rules. Both in the United States and the United Kingdom, as liquid securities markets developed and dispersed ownership became prevalent, a new political constituency developed that desired legal rules capable of filling in the inevitable enforcement gaps that self-regulation left".

Moreover, Gourevitch (2008) reviews the political literature of CG in light of investor protection in five countries, namely: China, Singapore, Malaysia, Russia and Chile. As a result, Gourevitch (2008) concludes that CG and politics in much of the world involve 'Oligarchs'. Gourevitch (2008) states,

"Governments are controlled by small numbers of officials who restrict access to authority, police, courts, and the media. The two oligarchies interact. The corporate insiders use their special path to political power to get money and contracts, and to prevent entry or competition into their business. The state authorities rely on the corporate types for financial and economic resources useful to keeping power and restricting access of outsiders to political influence. The relationship has acquired the label "crony capitalism".

Therefore, Gourevitch (2008) proposes the notion that an understanding of the change in CG requires an understanding of the "broader changes in the polity that make[s] and enforce[s] those rules which shape corporate governance practices".

In addition, Gourevitch's (2008) findings reveal firstly that the absence of constitutional processes creates the potential for market interventions by centralised authority. Hence, such absence is found responsible for weakening popular pressure to safeguard assets and shareholders' rights. As a result, "the overall effect is to favor block holding models of corporate control" (Gourevitch, 2008). Secondly, democratic countries are found to vary in the degree of shareholders' diffusion, whereas the non-democratic countries all have block holding. Thirdly, "regimes with fewer policy swings, may seem too capable of predation, thus the stability is not reassuring. If that is in question, block holding remains an attractive option. Thus centralised institutions can be too powerful, leading to anxiety, which then produces the defensive reflex of block holding" (Gourevitch, 2008). On the other hand,

“majoritarian systems allow decisive action, higher policy swings, and thus break solidarities that sustain block holding; the result is more ... minority shareholders’ protection, and diffuse shareholding” (Gourevitch, 2008).

3.4.3 Political Parties and Stock Market Developments: CG Reforms.

Using a panel of 83 countries over the period 1975-2004, Gourevitch, Pinto and Weymouth (2010) empirically studied the political determinants of increased investor protection in relation to stock market developments. Their findings suggest that left-leaning governments are associated with higher stock market capitalisations than right and center-leaning governments and the association was found quite robust. Hence left-leaning governments are more attractive to investors; moreover, left-leaning parties’ involvement in any government is found to be reassuring to investors (Gourevitch et al., 2010). This finding is also confirmed by Rajan and Zingales (2003). In addition, the findings of Gourevitch et al. (2010) also found, “English legal origin, veto players and majoritarian electoral rules, and informal political rights—all having a positive effect on market capitalisation”. Therefore, the effect of politics on investments is surely not news (Fisman, 2001).

In reviewing the literature on the left-leaning parties in Italy, France, Germany, and the US, Cioffi and Hopner (2006) make valuable observations. Firstly, left-leaning political parties are found to have always voiced their preferences for pro-shareholder CG reforms, while the right-leaning parties, pro-business, are found to have always resisted the leftists’ attempts (Cioffi & Hopner, 2006). The resistance of the right parties is best explained by Cioffi and Hopner as their attempts to “protect established reforms of organized capitalism, [and] concentrated stock ownership” (2006). Secondly, left-leaning parties are found to have always used the logic of CG reforms to “[1] attack the legitimacy of existing political economic elites, present[ing] themselves as pro-growth and pro-modernization, [2] strike political alliances with segments of the financial sector, and [3] appeal to middle-class voters”(Cioffi & Hopner, 2006). Thirdly, left-leaning parties are also found to have pioneered advancing CG reforms, inducing pro-shareholder, and pro-reform policy agendas (Cioffi & Hopner, 2006). Lastly, it is also suggested by Cioffi and Hopner (2006) that left parties are the best means through which CG reforms could be accomplished because shareholders are too poorly organised to 'constitute an effective coalition' on the political conundrum. Hence, “state actors on the center-left initiated corporate governance reform in each country case and have been instrumental in fashioning new interest group alliances” (Cioffi & Hopner, 2006).

3.4.4 The Effect of Interest Groups on the Choice of Ownership Structures

Rajan and Zingales (2003) propose an interest group theory of financial development where controlling parties oppose financial development because it breeds competition. Using a sample of 24 countries

using data available from 1913-1999, Rajan and Zingales (2003) found that interest groups' politics is an important factor in financial developments across countries. In addition, they found that trade openness was associated with financial market developments. Most importantly, they concluded that "a country's institutions might slow or speed-up interest group activities. This might indicate that institutions matter, though the way they matter might primarily be in tempering interest group activities" (Rajan & Zingales, 2003). For example, "policies that tend to promote efficient, competitive industries rather than inefficient, rent-seeking ones will also tend to pave the way for institutional development, as will public awareness of the hidden costs of policies that ostensibly promote economic stability"(Rajan & Zingales, 2003).

In addition, Gourevitch's (2008) findings also reveal that the type of interest group alignments capable of producing pro-diffusion policies in authoritarian regimes requires "a strong interest by that regime in foreign investment and in private initiatives". Nevertheless, Gourevitch (2008) explains the exception to the rule in certain countries such as Russia and China by stating,

"Russia has the disadvantage of size and natural resources, China of size. Russia especially has such wealth in oil; it could operate even without being very attractive to foreigners. China needs investors, but its huge domestic market gives it substantial bargaining leverage toward external investors: it bargains them to play by China's rules concerning technology. In neither country is there enough democratic politics at work to explore coalitions operating through parliamentary means. Korea is a good foil, and with Chile, make good comparison cases: both shifted from authoritarian regimes, Korea for the first time, Chile in restoration. This has in both cases given more influence to groups that oppose the closed world of blockholding...Overtime, we will be able to watch the interplay of institutional change with shifts of preferences: change in the power system altering the influence of different groups; and changes in the real world, opening the way to different patterns of preference".

3.4.5 Controlling Families as a Political-Institution Affecting the Choice of Ownership Structures

Steier (2008) theoretically sketches how families matter in economic activities worldwide; therefore, he emphasises that their effect is dependent on the institutional context under which they operate.

Hence, Steier (2008) offers five central-theoretical conclusions in this regard:

1. "Family is itself a primary institution that will continue to be manifest in the governance of economic systems throughout the world
2. Depending on the institutional context, familial capitalism is potentially favorable or unfavorable for economic development.
3. Transition and emerging economies such as East Asia, with less developed institutions (e.g., legal, financial) will be characterized by even higher levels of family involvement in economic activity than regions with well developed institutions. As this region forges new models of governance, entrepreneurial family firms represent alternative templates to the often-prescribed Anglo- American model.
4. Entrepreneurship has a powerful family dimension, even in those contexts with well-developed institutions wherein individual action is celebrated.
5. As global institutional contexts continue to vary greatly, so will notions of what constitutes the optimal familial role in effective firm governance" (Steier, 2008).

In addition, what makes this rich flavor of familial capitalism more interesting is how this form of capitalism co-evolves with the institutional context, shaping economies, firms, entrepreneurial actions, and ultimately the new form of governance (Steier, 2008). Hence, there is a need for developing a better theory that is capable of addressing the existence of such co-evolutions of external and internal factors as this familial capitalism is little understood by the existing literature in Asian countries (Steier, 2008).

Moreover, in an attempt to explain the effect of familial control in East Asian countries, Claessens, Djankov and Lang (2000) used a sample of 2,980 corporations from 1996-1998. Their findings reveal that the separation of ownership and control was found mostly recognised in family controlled firms regardless of the firm's size (Claessens et al., 2000). In addition, the separation of management from ownership control was found minimal; hence, 60 % of the managerial personnel of these firms were found to be related to controlling families (Claessens et al., 2000). Moreover, "older firms are more likely family controlled, which dispels the claim that dispersion of ownership is just a matter of time" (Claessens et al., 2000). As a result,

"Through lobbying, Wealth concentration might have negatively affected the evolution of the legal and other institutional frameworks for corporate governance and the manner in which economic activity is conducted. It could be a formidable barrier to future policy reform... Concentration of control might also have been a detriment to the evolution of the countries' legal systems. A concentrated control structure of the whole corporate sector could lead to the suppression of minority rights and hold back the institutional development of legal and regulatory channels to enforce these rights"(Claessens et al., 2000).

3.4.6 Ownership Structure as a Profit Maximising Choice Shaped by Institutional Factors

In a theoretical attempt, Bebchuk (1999) developed a rent protection theory of corporate ownership structure. His theory is aimed at explaining the choice between concentrated and dispersed ownership structure from the perspective of a company's initial owner. The implications of his theory revolve around identifying the benefits of control shaping the choice of ownership structure (Bebchuk, 1999). Hence, the decision driving such choice is influenced by the size of the private benefits of control to be gained. For example, "when private benefits are large, initial owners, maintain a lock on control to increase fraction of surplus they would be able to capture in a surplus transfer of control" (Bebchuk, 1999). Therefore, initial owners strive to maintain their private benefits of control, especially when control is valuable, to keep rivals away from capturing these private benefits (Bebchuk, 1999). Hence, when private benefits of control is found to be high in any given country, its publically traded companies would chose to have a controlling shareholder, or rather choose not to go public at all to reap the rewards of the private benefits of control (Bebchuk, 1999).

This theoretical implication of Bebchuk (1999) are consistent with the finding of La Porta et al. (1997) that companies would choose to go public and security markets would be more developed in countries with a high degree of shareholders' protections (Bebchuk, 1999). The rationale behind such implication is that a "corporate law system that effectively limits private benefits of control can produce more efficient choices of ownership structure" and eventually will lead to a dispersed ownership structure that is accompanied by a strong shareholder's protection regime (Bebchuk, 1999). Another important implication of Bebchuk's theory is also that, "separation of cash flow rights and voting rights will tend to be used in conjunction with a controlling shareholder structure but not with a dispersed ownership structure" (Bebchuk, 1999).

Another theoretical attempt examining the choice of ownership structure was developed by Bebchuk and Zingales (2000). They theoretically present how the ownership structure choice by an initial owner at the IPO stage might differ from the more socially optimal choice. They explain the logic of their rational as,

"when the corporate law system is lax and the private benefits of control are consequently large, a PU [publicly owned] structure will enable the initial shareholders to extract more surplus from control transfers than will a DI [dispersed] structure. Meaning offering less share[s] will produce higher surplus on transfer. Otherwise, share prices will drop in sales between potential shareholders...[hence] they might choose a PU structure even if a DI structure is superior from a social point of view" (Bebchuk & Zingales, 2000).

Therefore, institutional factors, such as weak shareholder protection in many countries, are more likely to lead entrepreneurs to select the choice through which they can extract the highest level of surplus when offering minimal shares (Bebchuk & Zingales, 2000). In addition, such weak legal protection might also lead to limiting the development of any security market and in turn might compel initial owners to opt for the choice of offering too little public ownership (Bebchuk & Zingales, 2000) On the other hand, in countries where institutional factors provide strong investor protection and ultimately a developed capital market, entrepreneurs are more likely to be compelled to choose the socially optimal ownership structure (Bebchuk & Zingales, 2000). Nevertheless, even the socially optimal choice might produce negative results when excessively exercised. For example, a highly developed capital market might produce too much public ownership,

"Since the prospect of this externality increases share price at the time of the entrepreneur's initial public offering (IPO), the entrepreneur can capture a larger piece of the surplus generated by such a transfer by selling a larger portion of the firm at the time of the IPO...[hence] legal rules can affect this bias toward too much public ownership" (Bebchuk & Zingales, 2000). The bottom line is this: in either case, "weak protections for minority shareholders will have a negative effect on public ownership because fear that the entrepreneur will engage in such overreaching reduces the price at which shares can be sold. As a result, a lower level of public ownership will allow the entrepreneur to capture a larger share of the surplus created by the transfer and thus affect the division of rents between her and the transferee" (Bebchuk & Zingales, 2000).

3.4.7 The Effect of Institutional Factors: Ownership Structures on Market Valuations

Using a sample of all publically traded corporations in nine East Asian countries, an examination of the evidence of expropriation of minority shareholders by controlling shareholders and its effect on market valuation was carried out by Claessens, Djankov, Fan and Lang (1999). Their findings reveal that higher cash flow rights were found correlating with higher market valuations. However, higher voting rights were found to correlate with lower market valuations (Claessens et al., 1999). In addition, the separation of control from ownership was found to correlate with lower market value; hence, this could be interpreted as evidence of expropriation of minorities by controllers (Claessens et al., 1999).

"It is likely that the degree to which certain ownership structures are associated with expropriation depends on country-specific circumstances including:

1. The quality of banking systems
2. The legal and judicial protection of individual shareholders
3. The degree of financial disclosure required.

The exact magnitude to which these institutional variables affect the degree of expropriation is an issue of important policy relevance and of potential future research" (Claessens et al., 1999).

Moreover, it should be noted that Claessens et al.'s (1999) findings in regard to the separation of control from ownership in relation to the market valuation are consistent with Jensen and Meckling's (1976) economical model as explicitly noted by Claessens et al. (1999).

In addition, Claessens et al. (1999) investigated the effect of the ownership structure in terms of control and ownership percentage on market valuation, taking the external environment factors such as weak propriety, shareholders' rights, inefficient judicial systems, and corruption into account. Their findings reveal that higher cash flow rights were found to correlate with higher market values. In addition, their findings also reveal that higher control rights were associated with lower market valuations. Hence, these findings are significant because they hold ground when cash-flow rights are low and controls rights are high, suggesting an expropriation of minority shareholders (Claessens et al., 1999). They conclude that using regression on individual classes of shares reveal that family control was found to be a significant cause of the negative relation between control rights and market valuations (Claessens et al., 1999). Therefore, "the risk of expropriation is indeed the major principal-agent problem for large publicly-traded corporations, as suggested by La Porta et al. (1997)" (Claessens et al., 1999).

3.4.8 Curbing Private Benefits of Control

Private benefits of control were estimated in 39 countries by a sample of 393 controlling-blocks between the years of 1990-2000 (Dyck & Zingales, 2004). The findings of this study reveal that in countries where private benefits of control are large, concentrated ownership structure is found to be dominant. Hence, privatisation in these countries is less likely to happen as public offerings; hence,

capital markets in those countries are found less developed (Dyck & Zingales, 2004). Moreover, the most intriguing finding emerging from this study is the role of tax enforcement in reducing the size of private benefits. Therefore, improving corporate tax system as suggested by Dyck and Zingales (2004) would produce a feasible mechanism in curbing private benefits and enhancing CG reforms within any given country. For instance, previous findings such as Shleifer's and Vishny's (1986) reveal how small shareholders prefer their returns as capital gains whereas large shareholders, due to their tax attributes, prefer their returns in the form of dividends. Hence, such preference by controlling shareholders should be placed under scrutiny to devise a tax-system mechanism capable of curbing private benefits enjoyed by controllers.

In addition, "many institutional variables, taken in isolation, seem to be associated with a lower level of private benefits of control: better accounting standards, better legal protection of minority shareholders, better law enforcement, more intense product market competition, a high level of diffusion of the press, and a high rate of tax compliance"(Dyck & Zingales, 2004).

Moreover, the media effect on public pressure is highly recommended by Dyck and Zingales (2004) as a mechanism of curbing private benefits of control. Also, it has been suggested by Dyck and Zingales's previous research that the media is capable of exposing bad corporate practices and inducing corporate managers to bow to social and environmental pressures (Dyck & Zingales, 2002 & 2003). Therefore, it is worthwhile investigating how this media pressure intermingles with social norms in shaping potential CG reform policies.

3.4.9 Moral Hazard between Minorities and Controllers in Takeovers: Policy Implications

Moral hazard arising between minority shareholders and controlling shareholders in takeover transactions is another area of significance. Mathematically, bidders are not compensated 'ex ante' for reducing the moral hazards 'ex post' in any takeover (Burkart, Gromb & Panunzi, 1998). For example, "post takeover moral hazard by the acquirer and free-riding by the target shareholders lead the former to acquire as few shares as necessary to gain control. As moral hazard is most severe under such low ownership concentration, inefficiencies arise in successful takeovers" (Burkart et al., 1998). Hence, corporate legislation and charts are great resource for further examinations for this type of hazard.

"By increasing the fraction of shares required to gain control, the one share-one vote rule reduces ex post inefficiencies. However, it also reduces bidders' surplus and thus their incentives to launch takeovers. The presence of takeover costs creates a trade-off between a higher likelihood of tender offers and more efficient tender offers. It is interesting that by inducing higher 'Premia' and maximizing ex post efficiency, the option to freeze out minority shareholders constitutes a 'Pareto' improvement. Competition (even by an inferior rival) also improves social welfare since it leads to a higher bid price and, thus, more shares tendered and less moral hazard. This effect can be further exploited by the security voting structure: fewer voting shares make competition fiercer and hence lead to an even higher price and a larger supply of shares. The mandatory bid rule has no effect under conditional offers but is socially beneficial under unconditional offers" (Burkart et al., 1998).

Another attempt to theoretically explain the trade off conflict of takeovers between minorities and controlling shareholders was attempted by Bebchuk and Kahan (1999). They recognised the difficulty faced by new controllers when required by law to compensate minority shareholders for the 'no freeze out' value of their shares when taken. For instance, when 'per share' value of a minority shareholder is below the 'per share' value of a controller, the free-out option is valuable for minorities. Hence, such conflict has significant policy implications in determining the 'no freeze out value' (Bebchuk & Kahan, 1999). This is especially true when controllers use their private information to decide on whether or not they should affect a freeze out at terms favourable to them. Therefore, the 'freeze out' as a concept becomes a crucial source for private benefits (Bebchuk & Kahan, 1999). Hence, "any source of private control benefits is of concern if a goal of the legal system is to ensure that all shareholders participate proportionally in the value of the company"(Bebchuk & Kahan, 1999).

3.4.10 Economic Growth and Development of Financial System Policies

In reviewing the literature regarding the link between economical growth and financial systems, Levine (1997) places the emphasis on the inputs of nonfinancial developments in the structuring of financial systems worldwide. For example, as financial systems are molded by non-financial developments, in the fields of telecommunication, computers etc., those non-financial developments ultimately affect the economic growth of any given country (Levine, 1997). Another example is the evidence of the effect of monetary policy on taxation of financial services as it has been documented by previous research (Bencivenga & Smith 1992; Roubini & Martin 1995 as cited in Levine, 1997). Hence, it is safe to assume a multi-dimensional framework when investigating factors influencing the development of such economy and its capital market. Moreover, there are no doubts that any legal system has a major effect on the development of its financial system, the size of its security market and ultimately its economy as a whole (La Porta et al., 1997, 1999, 2000, 2002, 2006, 2008). In addition, political changes and power drive critically influence financial developments worldwide, as shown by Haber (1991, 1997).

3.4.11 Summary

No better summary can be written on the effect of politics on CG than the one provided by Gourevitch (2003) when reviewing a book by Mark Roe (2003) entitled *Political Determinant of Corporate Governance*. Unlike Roe, LLSV's examination of the effects of legislative policies, rules of law, and judicial efficiency in explaining the various CG regimes around the world implies a major role of politics that has not been specified in their arguments (Gourevitch, 2003). In addition, LLSV have not privileged the effects of politics in the design of their data nor in their level of theorising (Gourevitch, 2003).

Moreover, Gourevitch views Roe's second debate concerning the attributes of politics that produce outputs as the most significant of his contribution (2003). Gourevitch explains,

“Leftist political power does matter; he [Roe] has shown this convincingly. But its effects can be better understood when placed in the framework of coalitions and institutions... Roe’s emphasis on the importance of politics, coalitions and institutions provide alternative political channels to the forces that constrain or expand the primacy of shareholder rights and the degree of shareholding diffusion...[Hence] Roe solves the puzzle of weak leftist presence in low-diffusion countries with “path dependence” (2003).

In addition, Gourveitch (2003) views Roe's position as positively challenging the finance theory driving the law and economics literature on CG. For instance, Roe's position in this regard can be seen firstly as being that politics shape the laws and conditions under which companies operate (Gourevitch, 2003). Secondly, managers and owners around the world behave differently, assuming identical bodies of law, depending on various claims derived from politics (Gourevitch, 2003). Hence, politics should be integrated into the way such disciplines as law, economics, sociology and culture can explain governance on a country case basis (Gourevitch, 2003).

3.5 Chapter Summary

3.5.1 CVD Framework and its Implications

Cultural theory of CG based on the CVD framework of Hofstede (1984) addresses fundamental issues like shareholding structures, regulations of self dealing, insider trading and disclosure in previous research. Hence, utilisation of Hofstede's (2010) CVD framework, for the purpose of this study is, in accordance with the literature, capable of providing an answer to the first research question, which is: To what extent do available cultural models (for example, Hofstede, 2010) explain the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia?

In addition, below are some of the issues that have emerged and informed the first research question as they present a strong association between statutory law and culture, specifically in the context of CG in the area of investor rights as signified by the relevant literature. (A detailed description of the cultural factors extracted for the data collection phase is included in Appendix B1)

A. Rights of Shareholders and Shareholder Structures

As the researcher intends to address the issue of shareholding structures, Licht (2001) points out that

“countries that score high on Uncertainty Avoidance, where living in an environment of unknown future contingencies is considered particularly undesirable, ...one should expect to find a lower share of business firms with dispersed ownership...[and] a higher incidence of hierarchical structures like stock pyramids. The cultural dimension framework suggests that, in such countries, the entire populace, rich and poor, of higher and lower classes alike are likely to perceive such shareholding structures as just another facet of a proper social order. If this were true it would help solve the question of why small investors in some countries put their savings in suspicious stock pyramid schemes or subject them to the whims of controlling families ”.

Therefore, elements of shareholders' rights and structures will be taken from the OECD principles of CG and assigned to the appropriate Hofstede (2010) CV dimensions for the questionnaire to generate both descriptive and inferential statistics via the SPSS program to answer the first research question.

B. Self Dealing

The issue of *Self-dealing* “is the central problem of CG in most countries, the law's effectiveness in regulating this problem is the fundamental element of shareholder protection” (Djankov et al., 2008). Therefore, special attention will be directed to this problem. Regardless of all criticism aimed at the work of La Porta et al's (1997, 1998 and 2006) studies pertaining to the construction of the *Anti-director rights Index*, certain elements of this index have been demonstrated to be significant for the purpose of this research. For example, the *Anti-director rights Index* is composed of (1) vote by mail; (2) shares not deposited; 3) and cumulative voting. Certain components of this index pertaining to self dealing transaction such as voting by mail, oppressed minority, pre-emptive rights, and capacity to call

a GM meeting are crucial to consider. In fact, most, if not all, of those components pertaining to the rights of minority shareholders are drawn from the OECD principles of CG of 2004 (OECD, 2004).

In addition, the follow up Index of *Self Dealing* by Djankov et al. (2008) has certain elements which are significant for the purpose of this research. These elements are: 1) approval by disinterested shareholders, 2) standing to sue, and 3) extensive disclosure of related party transactions.

Moreover, Licht (2001) views *Anti-self-dealing* rules as working, “to give effect to economic judgments of parties who would have otherwise been outnumbered or simply ignored by those that are to benefit from the transaction”.

Therefore, such explanation will be of significance to this research as it aids in qualifying elements of CG principles addressing the issue of self dealing from the OECD principles to be assigned to the appropriate Hofstede (2010) CV dimensions for the questionnaire to generate both descriptive and inferential statistics via the SPSS program to answer the first research question.

C. Insider Trading

Insider trading regimes around the world are highly attributed to cultural diversity. In fact, insider trading is always classified as a form of self-dealing. Hence, “one could reasonably assume that nations still differ considerably in the degree their cultural values are compatible with a strict ban on insider trading. Such divergence, however, would be difficult to reveal simply by comparing legal texts” (Licht, 2001).

Therefore, as with the previous merging issues, the researcher intends to employ elements of CG principles addressing the issue of insider trading from the OECD principles of CG and assign them to the appropriate Hofstede (2010) CV dimensions for the questionnaire to generate both descriptive and inferential statistics via the SPSS program to answer the first research question.

D. Executive Compensation

“From a legal perspective, executive compensation is a distinctive paradigm of conflict of interests, like self-dealing. The setting of executive compensation lies at the heart of the agency problem and is thus a major feature of corporate governance systems” (Licht, 2001). The notion behind such argument is that certain societies are more tolerant of income inequality stemming from efforts, talents, or entrepreneurial spirit (Licht, 2001).

Hence, it is possible to infer that the CV dimensions applicable to the issue of executive compensation are *Individualism*, *Power Distance*, and *Femininity* (Licht, 2001). For example, the *Individualism*

dimension could be seen as rewarding entrepreneurship, while the *Power Distance* dimension legitimises the extraordinary pay structures for executives (Licht, 2001).

Therefore, as with the previous merging issues, the researcher intends to incorporate elements of CG principles addressing the issue of executive compensation from the OECD principles of CG and to assign them to the appropriate Hofstede (2010) CV dimensions for the questionnaire to generate both descriptive and inferential statistics via the SPSS program to answer the first research question.

E. Disclosure

Disclosure is a powerful means for curbing the agency problem for CG especially in the area of minority rights. The findings of LLSV (1999) reveal that one of the most feasible ways of solving the agency conflict between controlling families and minority shareholders is through extensive disclosure. In corroboration with LLSV's (1999) findings, Licht (2001) states,

“Prominent disclosure items in this category include contentious issues like forward-looking ("soft") information, immediate disclosure of material events, detailed personal breakdown of top management remuneration, and the identity and intentions of shareholders who cross certain holding thresholds...[Moreover,] Uncertainty Avoidance dimension seems like a good starting point, especially in light of the empirical support ...Countries that score high on this dimension may prefer to suppress transparency so as to avoid conflict and competition and to preserve security. They would thus be likely to impose lower disclosure requirements” (Licht, 2001).

Therefore, as with the previous merging issues, the researcher intends to employ elements of CG principles addressing the issue of disclosure from the OECD principles of CG and to assign them to the appropriate Hofstede (2010) CV dimensions for the questionnaire to generate both descriptive and inferential statistics via the SPSS program to answer the first research question.

3.5.2 Legal Factors

The legal scholars' focus is on the dichotomy between dispersed and concentrated ownership structure. Hence, they view the legal protections provided to minority shareholders as a significant variable underlying the growth of 'viable' security markets (Coffee, 1999).

In addition, recent CG researchers have found systematic differences in ownership concentration, stock market developments, and voting rights in world wide comparative studies. These differences are found to associate closely with the strength of legal protection given to minority investors (Coffee, 1999). Hence, these issues along with other issues and their implications as detailed in the Legal section of the literature review have emerged and informed the second research question of the legal factors influencing the level of compliance of listed Saudi Corporations with OECD principles in respect of the protection of minority shareholders' rights. (A detailed description of the legal factors extracted for the data collection phase is included in Appendix B2)

Moreover, enhancing capital markets growth, ownership dispersions, and liquidity of security markets have been found to be directly associated with the quality of legal protection given to minority shareholders (Coffee, 1999). Hence, the quality of CG laws matters less as compared to the strength of CG enforcement practices worldwide (Coffee, 1999). Perhaps, "enforcement may depend more upon the strength of the incentives to assert legal remedies than upon the availability of legal remedies, themselves" (Coffee, 1999).

3.5.3 Political Factors

The political literature on CG is seen as the bridge between the legal rules and economic developments. Hence, some political theories have been proposed to explain different CG practices found worldwide. For instance, left-leaning political parties are found to have always voiced their preferences for pro-shareholder CG reforms, while the right-leaning parties, being more pro-business, are found to have always resisted the leftists' attempts (Cioffi & Hopner, 2006).

As a result, weak legal protections are found in countries with strong right-leaning parties (Bebchuk & Zingales, 2000). Right-leaning parties are found to limit the development of any security market and in turn compel initial owners to opt for the choice of offering too little public ownership (Bebchuk & Zingales, 2000).

"Leftist political power does matter... But its effects can be better understood when placed in the framework of coalitions and institutions... emphasis on the importance of politics, coalitions and institutions provide alternative political channels to the forces that constrain or expand the primacy of shareholder rights and the degree of shareholding diffusion" (Gourevitch, 2003).

Hence, these above issues along with other issues and their implications as detailed in the political section of the literature review have emerged and informed the second research question of the political factors influencing the level of compliance of listed Saudi Corporations' with the OECD principles with respect to the protection of minority shareholders' rights. (A detailed description of the political factors extracted for the data collection phase is included in Appendix B3)

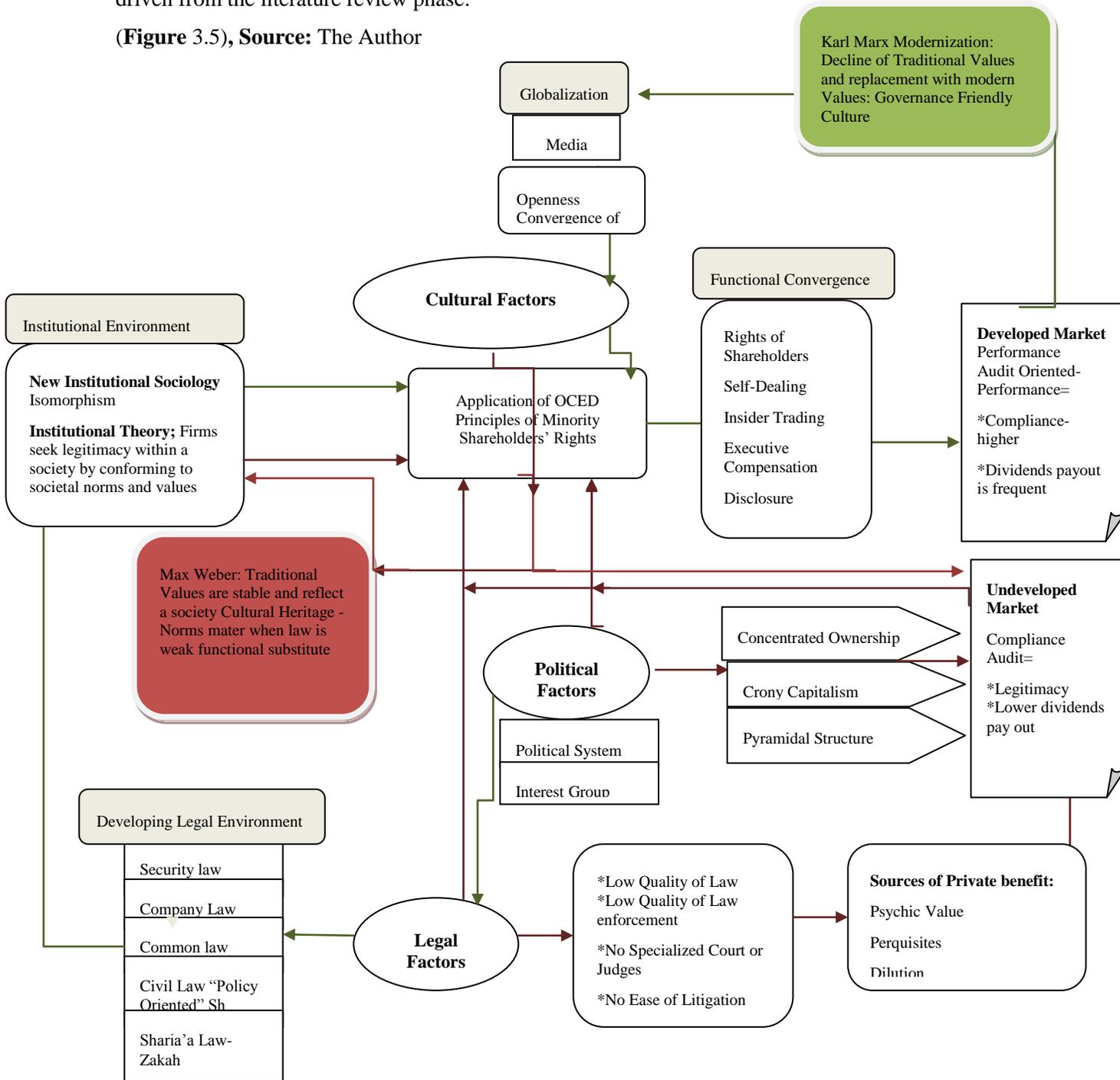
In summary, a review of the relevant CG literature pertaining to both research questions has provided that cultural, legal and political factors are to be considered to answer both research questions. As a result, the literature review chapter as a whole provides a multi-dimensional framework for assessing CG regimes in developing countries such as Saudi Arabia in light of minority shareholders' rights by integrating cultural, legal, and political factors. Such integration is motivated by the gaps found between those disciplines in the relevant CG literature.

"The various authors in this debate know too much to deny altogether the relevance of each others' variables: Politics, law, judges, the role of the state, norms, private mechanisms, and path dependence

appear in all of their writings. They differ in how these variables act in a causal sequence and how they are privileged relatively in a model" (Gourevitch, 2003).

Therefore, extracted critical variables found from the relevant literature will be employed in the construction of this research's data collection methods (see Appendix B1, B2, B3). The following diagram demonstrate the conceptual issues considered and signpost some of the critical variables driven from the literature review phase:

(Figure 3.5), Source: The Author



Overall, most of the variables signified by the relevant literature have been mostly driven by quantitative analysis of the results of structure and semi-structured questionnaires and variety of statistical methods were employed including, factorial analysis, PCA and other data reduction techniques. These methods have allowed the concentration of questionnaires responses into meaningful classifications supporting in varying degrees the Hofstede's (2010) classifications.

However, the problem with this methodological approach is in the variety of assumptions required to drive the quantitative analysis. Hence, the approach discussed in the next chapter on research methodologies is also based upon question design, but with corroboration through an extended qualitative phase based upon semi-structured interviews (see figure 4.4 Research Design Flow Chart, page 117). This process of corroboration deepens the quality of the conclusion and, to allow to an extent the reduction of elements of bias in the variables' selection.

4. Chapter Four: Research Methodology

4.1 Introduction

A review of the literature has suggested that cultural, legal and political factors are to be considered when assessing the strength or weaknesses of any minority shareholder protection regime. Hence, the scope of this research study is limited to the conceptual frameworks containing cultural, legal and political factors signified by the literature review phase. Therefore, signified variables via the literature review phase have been extracted by the researcher to build up the data collection methods for this study.

As has been argued by Benbasat, Goldstein and Mead (1987) there is no one singular research methodology that is better than any other. Hence, after developing the conceptual framework via a traditional review of the literature, a research design incorporating both quantitative and qualitative approaches has been chosen to achieve the overall aim of this research. Both method-approaches are to be employed in succession, bearing in mind the results of the quantitative phase will partially inform the qualitative phases, whose variable constructs are mainly derived from the literature review. The logic behind the employment of both methods is due to initially avoiding a 'common method' bias, and eventually ensuring potential insights arising from the quantitative phase are included into the variables of the qualitative phase.

The quantitative method will be employed via questionnaires and is aimed to achieve the first objective of the study, which is to explore the extent that available cultural models (for example, Hofstede, 2010) can explain the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia. In succession to the quantitative phase, and with the intention to corroborate the quantitative phase, a qualitative approach via semi-structured interviews will be employed to achieve the second objective of this research, which is to investigate the other factors, legal and political, influencing the level of compliance of listed Saudi Companies' with the OECD principles with respect to the protection of minority shareholder rights.

In addition, this study will apply institutional theory as the main body of theory addressing both research questions, to investigate how Saudi culture influences its CG regulatory compliance in light of minority shareholders' rights. This approach seems to be suitable in terms of usage in the accounting literature (Scott, 1987). Particularly, the third version of institutional theory, New Institutional Sociology has been highly recommended (DiMaggio & Powell, 1983). Hence, application of the New Institutional Sociology theory will refine the methodology and paradigm this research follows to achieve both objectives.

4.2 Research Methodology:

4.2.1 Assumptions about the Nature of Social Science:

Institutional theory, especially the New Institutional Sociology version, offers “a wide range of applicability for understanding the practise of accounting in organizations...[and] draw[s] on a broad variety of insight from cognitive science, cultural studies, psychology and anthropology, and...draw[s] attention to multiple levels of analysis ranging from the individual organisation to society” (Scott, 2001 as quoted in Hoque, 2006, p.188).

Therefore, it can be said that the New Institutional Sociology theory’s rooted assumptions in Berger and Luckmann’s (1966) work makes it of such subjectivity as Scott explains, “the argument is that social order is based fundamentally on a shared social reality which, in turn, is a human construction, being created in social interaction” (1987). Moreover, the level of subjectivity of the New Institutional Sociology theory can be measured through Morgan and Smircich’s (1980) six ontological assumptions:

Table 4.1: Six Ontological Assumptions

-
1. Reality as a concrete structure (Naïve Realism)
 2. Reality as a concrete process (Transcendental realism)
 3. Reality as a contextual field of information(Contextual relativism)
 4. Reality as a symbolic discourse (Transcendental idealism [Kant])
 5. Reality as a social construction(Social Constructionism [Socially Mediated Idealism])
 6. Reality as a projection of human imagination (Idealism [Berkeley])
-

Source: Ryan, Scapens & Theobald (2002, p.36): adapted from Morgan and Smircich (1980)

Looking at the table above, the closest category for the New Institutional Sociology theory as described previously by Scott (1987) fits within reality as a symbolic discourse:

“we now see the world as comprising human actors who make sense of their reality through a process of social interaction and negotiation, which is made possible through the shared meanings and norms they attach to people, things and situations. As such, reality is not a set of rules per se, but it is embedded in the meaning and norms which are created through individual experiences of events and situations, and then shared through social interaction” (Ryan et al., 2002, p. 37).

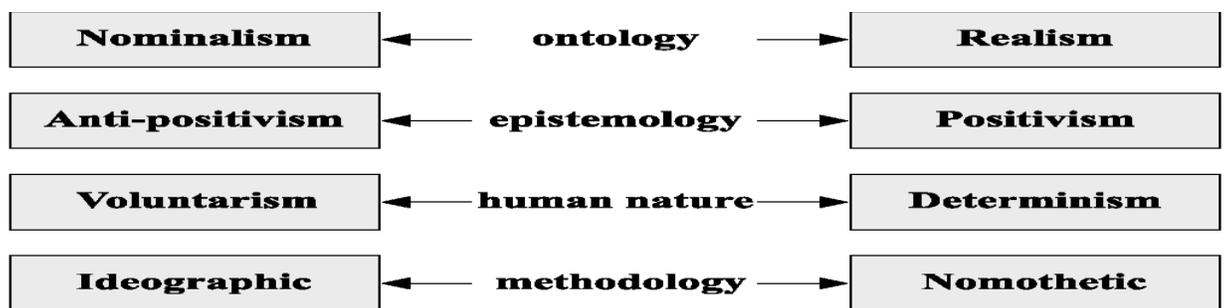
Moreover, it is worthwhile to mention that even though these meanings and norms can change at any time, they are stable over a long period, which in turn structures social activities (Ryan et al., 2002). As Ryan et al. state, “these meanings and norms are, therefore, the reality of the social research and such an approach can be used to study the role of accounting in giving meanings to organizational activity, providing norms of behaviour and structuring day-to-day social practices in organizations and society” (2002, p.37). However, it should be noted that reality as a symbolic discourse (Transcendental Idealism) falls fourth within the above table, and as explained by Ryan et al., “the other intermediate assumptions [including symbolic discourse] can then be regarded as points on an objective-subjective

continuum” (Ryan et al., 2002, p.36).

4.2.2 Objectivist Approach Vs Subjectivist Approach

Based on the reviewed literature, the origin of the institutional theory in the work of Berger and Luckmann (1966) in relation to Morgan and Smirich’s (1980) six ontological assumptions speculatively provoked the researcher into viewing reality as a symbolic discourse. Consequently, the ontological stance of this research is set on the subjective continuum as portrayed by Burrell and Morgan (1979). Burrell and Morgan use this framework of assumptions pertaining to ontology, epistemology, human nature, and methodology to explain the subjective-objective dimension:

Table 4.2: Subjective-Objective Dimension



Source: Burrell and Morgan (1979, p. 3)

Therefore, the ontology of this research will be one of *Nominalism* as prescribed in the table above which is the equivalent of *Idealism*. Specifically, through this type of ontology, reality as a symbolic discourse is embedded in the form of ‘*Transcendental Idealism*’, which is of such a moderate subjective stand as it falls just out of the range of the objective continuum prescribed by Ryan et al., (2002). Moreover, as the table depicts, the epistemology of such research will be within the anti-positivism regime in which constructionism is embedded. Crotty (1998) states,

“there is no meaning without a mind. Meaning is not discovered, but constructed. In this understanding of knowledge, it is clear that different people may construct meaning in different ways, even in relation to the same phenomenon...In this view of things, subject and object emerge as partners in the generation of meaning”.

In other words, as Ryan et al. explain, “the term ‘social constructionism of reality is sometimes used for all subjectivist approaches, to distinguish them from the assumption of an independent reality which is assumed by the more objectivist approaches” (2002, p.38). However, the only difference between constructinism and subjectivism, apart from in the degree of subjectivity, is that meaning in subjectivism comes from anything *but* an interaction between the subject and the object (Crotty, 1998). Therefore, the epistemology of the proposed research will be of a moderate subjectivity as it assumes

that subject and object emerge as partners in the generation of meaning, as explained previously by Crotty (1998). Moreover, such research will be described as interpretive, as it captures all elements of its framework:

Table 4.3: Interpretive Accounting Research

A. Beliefs about knowledge

Theory is used to provide explanations of human intentions. Its adequacy is assessed via logical consistency, subjective interpretation, and agreement with actors' common-sense interpretations.

B. Beliefs about physical and social reality

Reality is socially created and objectified through human interaction. Human action is intentional and has meaning grounded in the social and historical context. Social order is assumed and conflict mediated through shared meanings.

C. Relationship between accounting theory and practice

Accounting theory seeks to explain action and to understand how social order is produced and reproduced.

Source: Adapted from Chua (1986 as cited in Ryan et al., 2002, p. 42)

4.2.3 Assumptions about the Nature of Society

Assumptions about the nature of society can be explained through the work of Burrell and Morgan (1979). They criticise the work of the original contributors of the two different approaches of sociology in regard to the nature of society as identified by Dahrendorf (1959), who sees focus on the social order, and Lockwood (1956), who is concerned with issues of conflict (Wanyama, 2006). Consequently, Burrell and Morgan (1979) developed a more comprehensive model of Dahrendorf's Order vs Conflict theory along with incorporating the aspect of Lockwood's conflict issues. Burrell and Morgan, instead, place the emphasis on regulation and radical change. They explain,

“Traditionally, the prominent sociologists of Durkheim, Weber, and Pareto were concerned with social order, while Marx was concerned with social change. Dahrendorf sees the order-conflict debate centred around two camps, one emphasizing stability, integration, functional co-ordination, and consensus, and the other emphasizing change, conflict, disintegration, and coercion. In reality this dichotomy is more a continuum. Each of these opposite word-pairs is open to much interpretation, and each is not completely accurate in describing the debate and can cause misinterpretation” (Burrell & Morgan, 1979, p. 37).

As a consequence, Burrell and Morgan (1979) propose the notion of ‘regulation’ as a means to enrich the explanations of such society in terms of unity, cohesiveness, and the need for regulation to social affairs so that society is maintained as a unity (Wanyama, 2006). Therefore, all characteristics such as the status quo, social order, consensus, social integration, solidarity and actuality can be explained under the notion of ‘regulation’, as Table (4.4) below depicts. On the other hand, Burrell and Morgan (1979) propose the notion of ‘Radical Change’ as a means to provide explanations regarding deeply rooted structural conflict, modes of domination, structural contradiction, and societal emancipation from structures limiting their potential (Wanyama, 2006).

Table 4.4: Order Vs Conflict Theory

The sociology of regulation is concerned with	The sociology of radical change is concerned with
The status quo	Radical change
Social order	Structural conflict
Consensus	Modes of domination
Social integration and cohesion	Contradiction
Solidarity	Emancipation
Need satisfaction	Deprivation
Actuality	Potentiality

Source: Burrell and Morgan (1979, p. 18)

Table I.
The regulation/radical
change dimension

Source: Burrell & Morgan (1979, p.18)

Most importantly, the sociology of regulation is closely related to the nature of institutionalisation's assumption, as explained by Scott (1987) through the work of Berger and Luckmann (1967). Berger and Luckmann (1967) explicitly state,

“social order comes into being as individuals take action, interpret that action, and share with others their interpretations. These interpretations or ‘typifications’ are attempts to classify the behaviour into categories that will enable the actors to respond to it in a similar fashion. The process by which actions become repeated over time and are assigned similar meanings by self and others is defined as institutionalization (as quoted in Scott, 1987, p. 54)”.

4.3 Research Paradigm

The use of the institutional theory has been of a great assistance in determining the paradigm upon which the research question of how Saudi Culture affects minority shareholder rights based upon Hofstede's cultural model linking societal constructs with the legal and political milieu can be answered. Hoque (2006, p. 197) states, “from a methodological point of view, many of the studies reviewed in this [institutional theory] chapter involved qualitative methods. Since the institutional theory focuses on understanding context specific accounting practises, this methodology is apt”.

In addition, tracing back the origin of institutional theory and its evolution since the late 20th century (as to be seen in the theory section, p. 75) has been of a great assistance to this research in terms of choosing the appropriate paradigm to use. Moreover, Burrell and Morgan's (1979) four depicted paradigms have been beneficial in summing up all elements of such choice, as their pioneering model was developed to guide researchers in building up their work analytically.

Table 4.5: Four Paradigms for the Analysis of Social Theory

		Radical Change, Conflict, Domination	
S U B J E C T I V E Nature of society	Radical Humanist	Radical Structuralist	O B J E C T I V E
	Interpretive	Functionalist	
		Regulation, Voluntary Concensus, Integration Nature of Knowledge	

Source: Burrell and Morgan (1979, p. 22)

Table 4.6: Four Paradigms in Organisation Theory

		Sociology of radical change	
Subjective	Radical humanist Paradigm Anti-organisation theory	Radical structuralist Paradigm Radical organisation theory	Objective
	Interpretive Paradigm Hermeneutics, ethnomethodology and phenomenological symbolic interactionism	Functionalist Paradigm Behaviourism, determinism and abstracted empiricism	
		Sociology of regulation	

Source: Wanyama, (2006, p.135). Note: This Table summarises the different strands within each paradigm as proposed by Burrell and Morgan (1979); Dahrendorf (1959) and Cohen (1968).

Burrell and Morgan (1979) engineered their table by having the ‘Subjective’ and ‘Objective’ axis running horizontally, with the ‘Sociology of Radical Change’ and ‘Sociology of Regulation’ running vertically. The interpretive paradigm falls in the bottom left corner of Burrell and Morgan’s (1979) four paradigms model (Table 4.5). It embeds subjectivism as a construction of reality, its entailed ontological strand of reality as a symbolic discourse and its epistemological root in anti-positivism (see table 4.6). Moreover, the interpretive paradigm embeds the sociology of regulation as the regulation is aimed to depict current practices and how an organisation’s affairs are regulated. Then, it offers suggestions for improvement consistent with the current stand.

4.4 Theory

4.4.1 Introduction

The aim of this research is to examine the impact of Saudi Arabian culture on CG and regulatory compliance with respect to the protection of minority shareholders' interests. The conceptual framework for understanding how Saudi Culture affects minority shareholder rights is based upon Hofstede's (2010) cultural model linking societal constructs with the legal and political milieu.

In addition, application of Institutional Theory as the main body of theory addressing both research questions, of how the Saudi culture influences its CG regulatory compliance in light of minority shareholders' rights, seems to be suitable in terms of usage in the accounting literature (Scott, 1987).

Even though there has been an ongoing debate regarding the definition of Institutional Theory as a body of knowledge, Scott (1987) provides a variously unified framework of what an Institutional Theory ought to be as it has been evolved and developed by institutional theorists. Hence, Scott (1987) presents Institutionalisation as a '*Process of Creating Reality*' in explaining the evolution of the second, New Institutional Economic (NIE), and the third versions of the Institutional Theory, New Institutional Sociology.

Specifically, the New Institutional Sociology version of Institutional Theory pertains strongly to this research's questions, complemented by Scott's (1987) categorisation of '*Institutional System as a Class of Elements*'. Therefore, presentation of Scott's (1987) work of institutionalisation as a process of creating reality and institutional system as a class of elements will be discussed accordingly in the subsequent sections. Hence, illuminating lights will be shed on the appropriate methodology and paradigm this research follows to answer the core research question of how the Saudi Culture affects minority shareholder rights based upon Hofstede's cultural model, linking societal constructs with the legal and political milieu.

4.4.2 Institutionalisation as a Process of Creating Reality

Scott (1987) shows how the work of Peter Berger on the sociology of knowledge is rooted in the work of German idealists and phenomenologists such as Dilthey, Husserl and Schutz, and how this has affected the dominant view of institutionalisation as a process. Scott (1987, p.3) explains, "the argument is that social order is based fundamentally on a shared social reality which, in turn, is a human construction, being created in social interaction". Then, Scott (1987) substantiates how Berger and Luckmann (1967) are arguably accurate with their assumption that a social order

“is a human product, or, more precisely, an ongoing human production...Social order comes into being as individuals take action, interpret that action, and share with others their interpretations. The process by which actions become repeated over time and are assigned similar meanings by self and others is defined as

institutionalization” (as quoted in Scott, 1987, p. 54).

This elaboration on the previous work of Berger and Luckmann (1967) viewing institutionalisation as a process according to Scott (1987) has led to more developed versions of the definition of institutionalisation order by Zucker (1977) and Meyer and Rowan (1977). Firstly, according to Scott (1987), Zucker’s (1977) assertion of institutionalisation as a process and ‘a property variable’ guided Zucker (1977) in defining institutionalisation as,

“the process by which individual actors transmit what is socially defined as real and, at the same time, at any point in the process the meaning of an act can be defined as more or less a taken-for-granted part of this social reality. Institutionalized acts, then, must be perceived as both *objective* and *exterior*”.

Secondly, Scott (1987) shows how Meyer and Rowan’s (1977) embracing of Berger and Luckmann’s (1967) conception of institutionalised rules as “classifications built into society as reciprocated typifications or interpretations” encouraged them to define institutionalisation as, “the processes by which social processes, obligations, or actualities come to take on a rule-like status in social thought and action” (Scott, 1987).

Therefore, and in an effort to conclude all relatively similar definitions of institutionalisation as a process and its implications, Scott (1987) states,

“in Zucker’s work, the emphasis on institutionalization as process has continued to dominate. The force of these models is in the cognitive convictions they evoke: ‘institutionalization is rooted in conformity—not conformity engendered by sanctions (whether positive or negative), nor conformity resulting from a ‘black-box’ internalization process, but conformity rooted in the taken-for-granted aspects of everyday life... – institutionalization operates to produce common understandings about what is appropriate and, fundamentally, meaningful behavior”.

4.4.3 Institutional Systems as a Class of Elements

The view of the institutional system as a class of elements should not be viewed as a successor version of institutionalisation as a process but rather as a continuity of literature advancements (Scott, 1987). The nature of this continuity is in the emphasis shift. Specifically, Scott (1987) sees the emphasis in this version is placed on the institutionalised belief systems as constituting, “a distinctive class of elements that can account for the existence and/or the elaboration of organizational structure”.

In addition, Scott (1987) views this shift as dated back to the work of Meyer and Rowan (1977). “The emphasis shifts from the properties of generalized belief systems to the existence of a variety of sources or loci of ‘rationalized and impersonal prescriptions that identify various social purposes’ and ‘specify in a rule-like way... to pursue them’ (Meyer & Rowan, 1977 as quoted in Scott, 1987, p. 56).

As a consequence, this shift in emphasis in accordance with Scott (1987) has caused a number of changes such as:

1. The re-conceptualization of the organizational environments. The institutional environment has become refined to cultural elements such as “symbols, cognitive systems, normative beliefs and the sources of such elements (p.6)” as opposed to technical elements called upon by previous theories such as the contingency theory or the resource dependence theory (Scott, 1987). As a result, Scott states,

“[he, and Meyer (1983: 140, 149)] defined technical environments as ‘those within which a product or service is exchanged in a market such that organizations are rewarded for effective and efficient control of the work process’, in contrast to institutional environments that ‘are characterized by the elaboration of rules and requirements to which individual organizations must conform if they are to receive support and legitimacy’” (Scott, 1987).

2. Secondly, the view of institutionalisation as a distinctive process is deteriorating due to the fact that “organizations do not necessarily conform to a set of institutionalized beliefs because they ‘constitute reality’ or are taken for granted, but often because they are rewarded for doing so through increased legitimacy, resources, and survival capabilities” (Meyer & Rowan, 1977 as quoted in Scott, 1987). As a result, institutional theorists begin to theorise

“more explicitly about the variety of types of processes that might cause an organization to change its structure in ways that make it conform to—become isomorphic with—an institutional pattern. [Scott elaborates] The best-known classification of this type is that developed by DiMaggio and Powell (1983) who distinguished among coercive, mimetic, and normative processes leading to conformity” (Scott, 1987).

3. Thirdly, less focus devoted to process, and more is given to the nature of the belief systems (Scott, 1987).
4. This version of the institutional theory is causing attention to environmental elements such as “the market, the location of resources, customers, and the number and power of competitors” (Scott, 1987) to fade out as modern societies are getting more lawfully rationalised. “Elders' councils and other forms of traditional authority *are* replaced by the nation-state, the professions, and rationalized systems of law” (Scott, 1987).

Furthermore, Scott concludes,

“This version of institutional theory has both contributed to and benefited from the resurgence of interest in culture. Thus, this institutional theory provides a bridge for students of organizations to link to the insightful work of Berger, Bourdieu, Douglas, Foucault, Geertz, and Wuthnow, to name only some of the leading contributors to the ‘new’ cultural approaches” (1987).

4.4.4 Variant Forms of Institutional Theory

4.4.4.1 Old Institutional Economics: OIE

According to Hoque (2006), the origin of this theory dates back over a hundred years to the work of Veblen (1898, 1899). Hoque (2006) then explains how this theory rejects the neo-classical economic theorising, placing emphasis on assumptions pertaining to rationality, optimisation, and market

equilibrium. Instead, he elaborates,

“in order to capture the cumulative path(s) of economic life, individuals’ tastes and preferences (and, by implications, their choice, and decision making) cannot be taken as given or exogenous. Rather, OIE theorists argue that tastes and preferences must be analysed in their own right...OIE stresses the importance of power and politics, learning and (technological) innovation for shaping cumulative process over time.” (Hoque, 2006, pp.184-185).

In addition, Hoque (2006) adds that only in recent times has the work of Nelson and Winter (1982), focusing directly on institutional phenomena within organisations, influenced major OIE theorists (e.g. Hodgson, 1982; and Vromen, 1995). Hoque (2006, p.185) concludes, “in a nutshell, Nelson and Winter highlight the habitual and routinised nature of business practices, including accounting practises (1982, p.482) and conceptualise how such routines, over time, underpin firm’s know-how, ‘passing on’ (mainly tacit) knowledge”.

4.4.4.2 New Institutional Economics: NIE

Hoque states,

“a typical definition for an institution in NIE theory would be that of North who stated that; ‘institutions, composed of rules, norms of behaviour, and the way they are enforced, provide the opportunity set in an economy which determines the kind of purposive activity embodies in organisations (firms, trade unions, political bodies, and so forth that will come into existence. NIE assumes rational optimizing behaviour, although...many NIE theories incorporate ‘bound Rationality’ (Simon, 1976) into their work, thereby allowing for an explanation of institutions in the context of cognitive limits, incomplete information and / or difficulties in monitoring and enforcing agreements. Institutions, according to the NIE approach, essentially exist where their benefits exceed costs involved in creating and maintaining them-implying cost-minimising/efficiency term.” (2006, p.186).

4.4.4.3 New Institutional Sociology

According to Hoque (2006, pp.186-187),

“a starting point for most INS-informed studies is an assumption that intra-organisational structures and procedures, including accounting, are largely shaped by external factors rather than cost-minimizing objectives. Thus, organizations which operate in similar environment settings are assumed to be subject to comparable demands towards what is generally deemed as being appropriate behaviour, including its choice and design of internal structures and procedures (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Meyer and Scott, 1983)”.

Therefore, it should be recognised that

“external rules, procedures, myths, and norms define the New Institutional Sociology. Theory: ‘institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carriers-cultures, structures, and routines-and they operate at multiple levels of jurisdiction (Scott, 1995, p. 33)” (Hoque, 2006, p. 187).

Moreover, the New Institutional Sociology theory recognises, in practice, there is “a separation

between external image and actual structures and procedures which has been referred to as ‘de-coupling’ (Weick, 1976; Meyer and Rowan, 1977; Meyer and Scott, 1992)” (Hoque, 2006, p. 187). Hence, DiMaggio and Powell (1983) set the stage for institutional isomorphism and broke it down further into three sub-categories: to address the implications of ‘de-coupling’ and trace its sources;

Table 4.7: Institutional Isomorphism

1. Coercive isomorphism, whereby impinging external factors (e.g. government policy, regulation, supplier relationships) exert force on organizations to adopt specific internal structures and procedures.
2. Mimetic isomorphism-whereby organizations emulate the internal structures and procedures adopted by other organizations.
3. Normative isomorphism-whereby organizations adopt the structures and procedures advocated by particular dominant professions, professional bodies and or consultants.

Source: Hoque (2006, p.188).

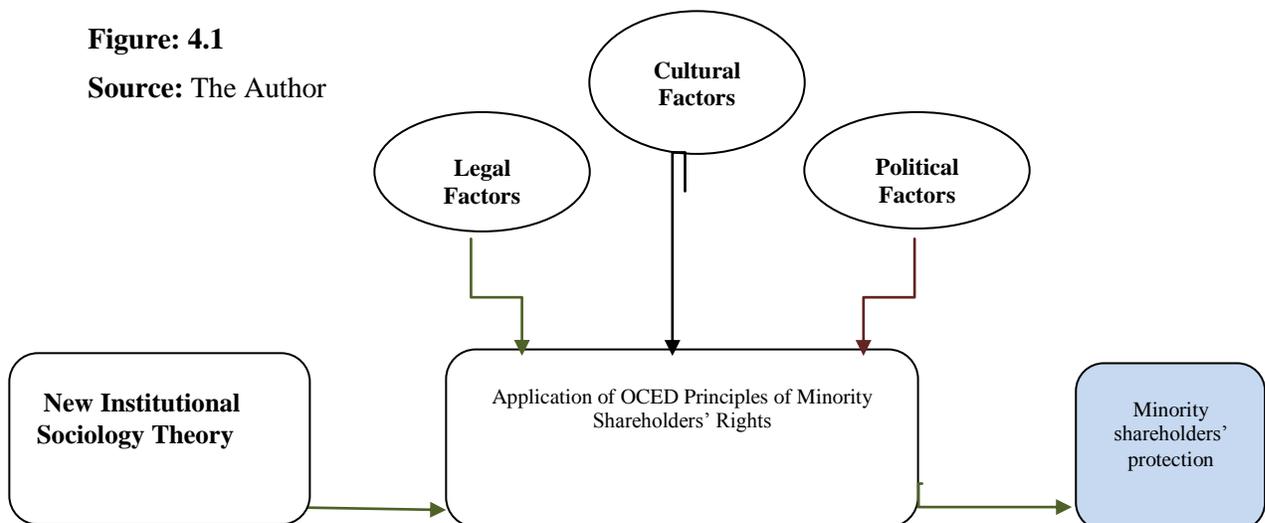
Most importantly, the New Institutional Sociology theory aids the conceptual framework for understanding how the Saudi Culture affects minorities based upon Hofstede’s (2010) *Cultural Value Dimension* (CVD) model linking societal constructs with the legal and political milieu.

As seen in the literature review chapter, a review of the relevant CG literature pertaining to both research questions has provided that cultural, legal and political factors are to be considered to answer both research questions. As a result, the literature review chapter as a whole provides a multi-dimensional framework for assessing CG regimes in developing countries such as Saudi Arabia in light of minority shareholders’ rights by integrating cultural, legal, and political factors. Such integration is motivated by the gaps found between those disciplines in the relevant CG literature.

“The various authors in this debate know too much to deny altogether the relevance of each others’ variables: Politics, law, judges, the role of the state, norms, private mechanisms, and path dependence appear in all of their writings. They differ in how these variables act in a causal sequence and how they are privileged relatively in a model” (Gourevitch, 2003).

Figure: 4.1

Source: The Author



Hence, the New Institutional Sociology will bridge the gap between these disciplines to

“help explain the observations that organizations are becoming more homogeneous and that elites often get their way, while at the same time enabling us to understand the irrationality, the frustration of power, and the lack of innovation that are so commonplace in organizational life (DiMaggio & Powell, 1983, p.157).

Moreover, the justification for the use of the New Institutional Sociology theory as an appropriate framework for this thesis is also based on the following theoretical findings:

Firstly, “national cultures can be seen metaphorically, as the mother of path dependence dynamics in the sense that they play a role in both the origin and in future development of corporate governance systems” (Licht, 2000). Hence, “One may thus imagine a pyramid of social norms in which cultural values constitute the foundations. Corporate governance systems build on these foundations to develop both formal and non-formal rules as well as structures (Licht, 2000). Likewise, the New Institutional Sociology theory has become refined to cultural elements such as “symbols, cognitive systems, normative beliefs and the sources of such elements (p.6)” (Scott, 1987) and how these cultural elements institutionalize rule-like norms. Furthermore, Scott concludes,

“This version of institutional theory has both contributed to and benefited from the resurgence of interest in culture. Thus, this institutional theory provides a bridge for students of organizations to link to the insightful work of Berger, Bourdieu, Douglas, Foucault, Geertz, and Wuthnow, to name only some of the leading contributors to the ‘new’ cultural approaches” (1987).

Secondly, “the social norms addressed in most of the current law and economics literature tend to be particular and context specific and may also change rather quickly. In contrast, values are more general and stable” (Licht, 2000). In fact such position has been previously explained by the work of Max Weber and Karl Marx in section 3.2.3 titled *National Culture and Economic Developments*, page 29. Modernisation theorists such as Karl Marx (1973) emphasise the convergence of values with economic development, and assume the death of religious beliefs in the long run. On the other hand, the opposing school of Max Weber (1904) puts the emphasis on the persistence of traditional values despite economic and political changes. Max Weber’s view conforms with the notion that values are relatively independent of economic conditions (DiMaggio, 1994). Hence, such view of the persistence of cultural values is also supported by one of the founders or rather major contributor of this version of the institutional theory, New Institutional Sociology as illustrated in the statement above.

Thirdly, and as a result, “the CVD framework can lend itself to developing rigorous comparative approaches to social norms and their interrelations with the law in different cultures” (Licht, 2000). Not only that but the use of the CVD framework in corporate governance research should provide researchers with “the shield of avoiding risks of relying on social myths and stereotypes”(Licht, 2000).

Hence, potential CVD model's findings of this study are suitable to be interpreted by the New Institutional Sociology. Moreover, findings from the legal and political factors can also be evaluated by the New Institutional Sociology as it investigates such compliance of CG on three level of Institutional Isomorphism: Coercive, Mimetic, and Normative. Hence, effects of legal and political factors can be traced with these three levels accordingly.

Moreover, this present research study is intended to employ a cross-sectional quantitative analysis design of the cultural section. Hence, the observational analysis of the data collected will only be done at a specific point in time without taking into account a time-series analysis, which would have been more indicatively explicit of a behavioural or a cultural change. However, as advised by Hofstede via his email (see Appendix D3), this should not be a point of concern as cultural values are resistant to change over time, which is in confirmation with Max Weber's (1904) emphasis on the persistence of traditional values despite economic and political changes. However, it should be recognised that the researcher kept "an open mind' regarding whether or not cultural values are persistent and considered opposing schools of thoughts such as Karl Marx's (1973) emphasising the convergence of values with economic developments. Eventually, however, the researcher became more convinced of the persistence of cultural values when reporting the results of this present research. Moreover, such conclusion does not only conform with the main theory employed by this research, New Institutional Sociology theory, but it is also in line with Hofstede's advise expressed to the researcher in this regard.

4.5 Summary

The strand of the interpretive paradigm adopted for this study is Phenomenological Sociology, as it employs both Ethno-Methodology and Symbolic- Interactionism, which sets the research paradigm in accordance with the founders' of NIS's isomorphic theoretical stand. DiMaggio and Powell state,

“we argue that a theory of institutional isomorphism may help explain the observations that organizations are becoming more homogeneous and that elites often get their way, while at the same time enabling us to understand the irrationality, the frustration of power, and the lack of innovation that are so commonplace in organizational life. What is more, our approach is more consistent with the ethnographic and theoretical literature on how organizations work” (DiMaggio & Powell, 1983, p. 157).

Therefore, this research engages in an ethno-methodology, the sociological study of rules and rituals underlying ordinary social activities and interactions. Moreover, forms of inquiries and gathering data via questionnaires and semi-structured interviews will be methodologically appropriate to use. By doing so, some assumptions are embedded in the way of proceeding relating to language, issues of inter-subjectivity and communication. Therefore, symbolic-interactionism as suggested is

“a theoretical perspective that grounds these assumptions in most explicit fashion. It deals directly with issues such as language, communication, interrelationships and community...symbolic interactionism is all about those

basic social interactions whereby we enter into the perceptions, attitudes and values of a community” (Crotty, 1998).

4.6 Method Section:

4.6.1 Introduction

On the methodological level, this research engages in an ethno-methodology, the sociological study of rules and rituals underlying ordinary social activities and interactions. As a result, the forms of inquiry and gathering data will be conducted via questionnaires and semi-structured interviews to enter into “the perceptions, attitudes and values of a community” (Crotty, 1998).

The justification for the use of questionnaires in an ethno-methodological study stems from the fact that the interpretive paradigm of this research borders on functionalism (Table 4.5) as it deals with the codes and principles of CG as a function. In addition, the aim of the questionnaires is consonant with the ethno-methodology framework as the questionnaires, for this study, are designed to empirically measure Hofstede's (2010) CVD, composed of percepts and attitudes, of Saudi shareholders based on the principles of CG found in the OECD forum of 2004. Therefore, the use of questionnaires is appropriate to uncover potential correlations between Hofstede's (2010) CVD of Saudi shareholders and the quality of the exercise of minority shareholders’ rights, as defined by the OECD, in Saudi Arabia.

In addition, “ethnographers often also employ some structured interviewing. It may well be that an ethnographer wants or needs some more general data from the participants. They may need quantitative data as part of a larger study” (O’Reilly, 2012, p.121). Hence, both methods of data collection, questionnaires and semi-structured interviews, are suitable to be used methodologically in combination with the New Institutional Sociology theory adopted for this research.

Therefore, two main methods will be used to serve the purpose of data collection, namely:

- 1- Semi-Structured Interviews
- 2- Questionnaires

Moreover, both of these techniques are trimmed down during the pilot work which precedes the actual field work, where such tools are put under the microscope to produce the sort of data intended, either of idea collection as in the case of semi-structured interviews or as a collection of data as it is the case of questionnaires. Such pilot work will be of great advantage in reducing the amount of bias and expediting the data-processing in terms of precoding close-ended questions, and assigning values to open-ended questions. Most importantly, piloting will serve as the main source of resolving issues of

objectivity for both methods. Therefore, each method will be presented in the subsequent sections along with its closely related objectivity issues and applicable resolutions through piloting.

4.6.2 Interviews

Table 4.8: Types of Interview:

- | | |
|----|--|
| 1- | Exploratory interviews, in-depth interviews, or free-style interviews (including group interviews) |
| 2- | Standardized interviews such as used, for example, in public opinion polls, market research, and government surveys. |

Source: Oppenheim (2004, p.65).

Each type of interviews has its advantages and disadvantages, and serves a specific purpose. For example, the purpose of an exploratory interview “is essentially heuristic: to develop ideas and research hypothesis rather than to gather facts and statistics. It is concerned with trying to understand how ordinary people think and feel about the topics of concern to the research” (Oppenheim, 2004, p.67). As a result, the exploratory interview type is very specific in its domain, and is mainly used to discover deeply rooted feelings, and attitudes concealed behind conceptual ideas.

However, the purpose of employing the semi-structured interview-technique for this research is to gather ideas and facts stemming from the experience of well defined segments of lawyers and legislators to answer the second research question: what are the other factors influencing the level of compliance of listed Saudi Corporations’ with the OECD principles with respect to the protection of minority shareholders in Saudi Arabia. Hence, a ‘hidden agenda’ of general topics concerning the legal and political frameworks in Saudi Arabia and its effect on the rights of minority shareholders have been identified by the literature review phase. Therefore, extracted variables from the literature review phase are employed in the construction of the interview questions (See Appendices B2, B3).

Moreover, the interviewer is adequately equipped in regard to being well-informed about orienting concepts in adjacent fields of the topics under investigation via the relevant literature of such topics and its associated areas of potential concerns and sensitive issues (Oppenheim, 2004). Therefore, a standardised interview type is employed as this research is essentially set to capture ideas and facts. Therefore, "the various research objectives...have long since been formulated; the interview schedule and the wording of the questions have been exhaustively tried out in pilot work; the sample has been drawn; the field force recruited (possibly)” (Oppenheim, 2004, p. 66).

Moreover, the underlining assumption of standardised interviews is the ‘equivalence of stimulus’, “the notion that every respondent has been asked the same questions, with the same meaning, in the same words, same intonation, same sequence, in the same setting...that’s why we call these interviews

‘standardized’ though to achieve this kind of psychological ‘sameness’ is a manifest impossibility” (Oppenheim, 2004, p. 67).

Therefore, in the piloting phase of the interview questions two Saudi nationals, who were police officers studying English as a second language at the University of Gloucestershire, were chosen to form a pilot sample. Hence, interview questions, stemming from the relevant literature, were tested to improve their coherence. In addition, throughout both interviews a well-maintained level of ‘sameness’ was obtained. A well-maintained level of ‘sameness’ is capable of paying generous dividends in terms of objectivity in acquiring information from various respondents of different backgrounds (Oppenheim, 2004).

In addition, it should be noted that questions in this type of semi-structured interviews tend to be protectively open-ended; hence, the complementary probes are designed to be delicately directive as they are meant to confirm previously spoken thoughts (see Appendix B6). Nevertheless, a huge amount of skill is required of an interviewer to succeed in such proceedings as such interactive technique may cause discomfort when used inappropriately (Oppenheim, 2004). However, engaging in such proceedings is worthy as, “the series of initial interviews, together with ideas from the relevant literature, eventually [lead] to a conceptual framework and the decision to measure a number of variables by means of structured inventories” (Oppenheim, 2004, p.77).

Moreover, the researcher attempted a series of social interactive techniques such as rapport to put interviewees at ease while creating zones of productive comfort for respondents (Saunders, Lewis & Thornhill, 2011) before conducting any of the actual interviews. In fact, the researcher strived to build a rapport within the first two minutes of each interview by looking around the offices of the interviewees and tried to relate accordingly. In addition, a follow up question technique was deployed whenever there was any confusion regarding an answer of a specific question (see Appendix B6). In addition, traffic management and probes do serve the purpose of exploring deeply into the spoken thoughts of interviewees (Bryman, 2012). Hence, during all conducted interviews, the interviewer utilised such technique to capture essential aspects of spontaneous thoughts already spoken by respondents.

Furthermore, telephone interviewing is advantageous when the form of a standardised interview is used in terms of their low cost. In addition, they can be faster paced than normal interviews, and can be arranged on a shorter time-interval compared to normal interviews (Saunders et al., 2011). However, a major disadvantage when using telephone interviewing is that the refusal rate is higher compared to a normal interview, especially on weekends. Therefore, it is advisable to use a mixed method of

conventional and telephone interviewing if possible after conducting a detailed research into whether or not both methods will produce comparable data on similar respondents within the same study (Oppenheim, 2004). However, for the purpose of this research, one Skype/video interview was conducted with an ex-legislator due to his busy schedule.

Moreover, it should be noted that, during the pilot interview phase, the researcher utilised a mixed method, including one face to face interview and one telephone interview, with participants. As a result, data collected from mixed method approaches yielded comparable results on the condition that the telephone-interviewee was allocated the appropriate time to answer the questions.

In addition, it should be illustrated that telephone interviews do have similar problems prevailing in conventional interviews. For instance, bias can be easily incorporated through the building of interview questions or use of ambiguous or biased language. Sometimes, bias can be presented in the tone or manner through which a question is asked (Saunders et al., 2011). In addition, bias can be present in the choice of exploratory interviewing techniques used such as projective statements and probes (Saunders et al., 2011). For example, an interviewer can lead an interviewee in a direction of his or her own preference regardless of the aim of the study. This is done through the use of, for instance, probes such as: when taking a phrase of interest to the interviewer out of a respondent's mouth and probing with it: how can you justify...such a 'phrase' can lead the respondent to such bias.

Therefore, when the Skype/video interview was conducted with the ex-legislator, the researcher paid close attention to his tone of voice and questions/probes were guided by the interview schedule (see Appendix B6). In addition, the interviewee was allocated the proper time to answer the questions as he pleased with no interruptions. As Oppenheim recommends,

“we must strive towards obtaining data that are ‘uncontaminated’ by the interviewing process...our attempts at creating a standardized situation would be regarded as ‘schematizing’ and falsifying the information being collected...the unit of analysis should not be of some ‘answer’ to a question but rather a social episode, a culturally determined dialogue between two strangers playing roles” (2004, p. 86).

In addition, there are two types of errors likely to occur in interviews: random errors and systematic errors. Random errors “due to carelessness, inaccuracies, misunderstanding and the like, will cause our results to be distributed around an imaginary mid-point which constitutes the ‘true’ finding, rather like attempts to hit a bulls-eye” (Oppenheim, 2004, p. 87). On the other hand, systematic errors can make our final results of such a mixture of ‘true’ answers and ‘interviewer’s effect’ or ‘bias’ (Bryman, 2012). Below is a table of main causes of bias:

Table 4.9: Main Causes of Bias in Interviews***Before the Interview***

- 1- Departures from the sampling instructions, by the interviewer
- 2- Adverse impression management by the interviewer

During the interview

- 1- Poor maintenance of Rapport
- 2- Rephrasing of attitude questions
- 3- Altering factual questions
- 4- Careless prompting
- 5- Poor management of show cards
- 6- Biased probes
- 7- Asking questions of sequence
- 8- Unreliable field coding
- 9- Biased recording of verbatim answers
- 10- Poor management of situational problems or of 'special procedures'

Source: Oppenheim (2004, p. 97).

Therefore, before each interview, the researcher had to revisit the interview questions guide to ensure consistency with the topics to be investigated. During interviews, rapport was essentially established in the first two minutes and rephrasing of attitude questions was aided by the clarification section of the interview guide (see Appendix B6). Alteration of factual questions was aided by the interview guide's clarification section and careful prompting was carried out in line with interviewees' motives. In addition, all probes were guided by the interview guide's clarification section. In addition, questions of sequence were only asked when interviewees expressed enthusiasm to carry on the same topic. Moreover, all recording of verbatim answers was done via a recording device, and no situational procedures were raised during all interviews.

4.6.2.1 Interview Approaches to Respondents

The establishment of rapport is essential for effective interviews. Therefore, the interviewer strove to put his respondents at ease to collect the intended data while allowing for new ideas about the Saudi legal and political frameworks affecting the rights of minority shareholders to emerge. In addition, during the interviews, the interviewer used a list of short-answers such as agree, disagree, and strongly agree, which are called prompts. Probes were another verbal tool the interviewer utilised to engage respondents when an answer was unclear. Therefore, the interviewer used phrases such as 'how come' to get such respondent to add more data or ideas. Lastly, the order of questions and use of language were advantageous during all interviews due to the exhaustive pilot work previously carried out to ensure such ease.

4.6.2.2 Resolving Issues of Objectivity in Relation to Interviews

"Our key effort must therefore be directed towards the prevention or reduction of hidden, systematic bias in the interviews" (Oppenheim, 2004, p. 87). This central task of achieving meaningful interview

results should not be taken for granted. Therefore, there are techniques used by interviewing agencies that can be of great significance in reducing bias along with bias indicators, as summed up below.

These techniques are aimed at distinguishing types of questions into:

Table 4.10: Types of Questions

-
- 1- Factual questions with which an interviewer is expected to read out the questions as printed on the schedule but has some latitude to offer explanations, correct misunderstandings or offer previously agreed definitions.
 - 2- Attitude and opinion questions, which an interviewer is forbidden to explain or reward in any way.
 - 3- Certain standard classification questions ... with which an interviewer is expected to devise his or her own probes to ensure that he or she has correctly obtained all the information required.
-

Source: Oppenheim (2004, p.87).

“This goes a long way towards resolving the contradictions between the requirement for standardization and the need for flexibility and ‘equivalence’” (Oppenheim, 2004, pp. 87-88).

Therefore, as this study aims to use a semi-structured interviewing approach, the professional categorisation of question types was carried out during the pilot phase. Hence, an interview guide (see Appendix B6) was developed to obtain the right balance between standardisation, flexibility and equivalence.

4.6.3 Questionnaires

In reaching a definition, it will be hard to define the term questionnaire quite narrowly as it overlaps in content with other data collection methods such as structured interviews, especially when the term is taken roughly to mean ‘fixed questions’. However, it will be helpful to consider its purpose as a data collection method to measure certain specifications directly linked to an operational statement of an issue being investigated and in accordance with the research design and paradigm (Bryman, 2012).

Therefore, it is easier to distinguish a questionnaire from other research tools. For example, a questionnaire is not just a piece of paper with a list of questions to be answered as instructed, nor it is an empty paper to be filled out by respondents. Rather, it is a data collection method of measuring certain variables through a set of fixed questions arrived at after “many weeks of planning, reading, design and exploratory pilot work” (Oppenheim, 2004, p. 100). In fact, the researcher spent a period equivalent of five months to carry out the pilot work: two months to testing the pilot work followed by three months’ worth of analysing the pilot study and developing the interview and questionnaire guides (an extract of the research time line is provided below).

Table 4.11: Research Time Line

1	Pilot Study	Months Feb- March2014	Completed
2	Analysis of Pilot Study and Development of Interview + Questionnaire guides	Months April-Jun2014	Completed

Source: The Author

In addition, there are several types of questionnaire, such as:

Table 4.12: Types of Questionnaire

A- Self-administrated questionnaire: where lists of questions are presented to participants by an interviewer or by an official accompanied with an introductory briefing in regard to its purpose. Respondents are allotted the appropriate time to fill out such inquiries. The main advantage of such method is “[ensuring] a high response rate, accurate sampling, and a minimum of interview bias, while permitting interviewer assessment, providing necessary explanations (but not the interpretation of questions) and giving the benefit of a degree of personal contact” (Oppenheim, 2004, p. 103).

B- Group Administrated Questionnaires: these are normally assembled of a group of 40 to 50 respondents being carefully sampled and gathered together in a designated location where a list of questions, forming such a questionnaire, is given to each of them in the same manner at the same time. Administration of such a setting can vary from two interviewers supervising the whole stage or an audio recording instructing respondents on how to approach their tasks.

Source: Oppenheim, (2004, p. 103).

In fact, due to the nature of this research, the group administrated questionnaire technique was employed to ensure a correct sample of respondents. As the questionnaires were intended to be completed by classes of shareholders such as Majority, Sophisticated, and Minority shareholders, the knowledge of Saudi banks' trading rooms', where the questionnaire was administrated, managers was needed and consequentially utilised. In addition, administration of such settings was carried by the researcher with the help of a trading room manager and his assigned personnel.

In addition, the main advantages of this method are: “respondents answer questions in the same order and that they all have the same amount of time to do so. But, contamination (through copying, talking or asking question) is a constant danger” (Oppenheim, 2004, p.103). Nevertheless, in analysing the questionnaires via the SPSS program, no contamination, ‘repeated same answers of different questionnaires’, was found as in such settings instructions were carefully given in a walk through procedures pertaining to the questionnaires before handing them out.

Moreover, the medium in which questionnaires are presented plays a major role in their success rates (Bryman, 2012). Hence, the group-administrated questionnaires, due to the nature of this study, were appropriate to use and aided in defining the targeted sample and enormously in the classification of the targeted sample.

4.6.3.1 Questionnaire Approaches to Respondents

As questionnaires possess the tendency of low response rates when sent through distant mediums, such rates can significantly be improved through:

Table 4.13: Questionnaires' Approaches to Respondents

-
- 1- Advanced warning; a letter or a postcard informing the respondent of the study in advance, and inviting participation
 - 2- Explanation of selection-explaining the method of sampling used, and how the respondent came to be chosen
-

Source: Oppenheim (2004, p. 104).

Nevertheless, distant mediums were not used as the questionnaires were group-administrated via designated locations. Moreover, two reputable banks' trading rooms were utilised to be of a great motivator to potential respondents (Saunders et al., 2011). In addition, various techniques such as length of time incorporated in the design of questionnaires, thickness of questionnaire booklets, appearance of questionnaire layouts and quality of papers can be of great benefit (Saunders et al., 2011) and were accordingly utilised.

4.6.3.2 Resolving Issues of Objectivity in Relation to Questionnaires

Questionnaires can be wasteful when careful planning had not been done in advance. For example, bias can still exist even in the none-existent physical appearance of such an interviewer.

"In a sense, a ghost interviewer is still present because the respondent may conjure up an image or a stereotype of the organization which sent the questionnaires and of the kind of person who might be asking these questions. In other words, the respondents will interact with the questionnaire and may 'project' some kind of person or organization 'behind' the question, and this bias their responses" (Oppenheim, 2004, p.103).

Therefore, there are a few techniques presented below which reduce this sort of bias to a minimal acceptable level and have been employed by the researcher for the questionnaire, such as:

Table 4.14: Questions' Bias Reduction Methods

-
- 1- **Build up of question modules:**
 - Question of 'classifying or personal data' should always be placed towards the end of such module as they tend to off-put respondents.
 - Inter-logic of the inquiry and reactions of respondents should be planned carefully
 - Balance of question types should be evenly and carefully presented.
 - 2- **Order of questions within modules**
 - 'Funnel approach' is so named because it starts off the module with a very broad question and then progressively narrows down the scope of the questions until in the end it comes to some very specific questions.
 - 'Filter question' technique is used to exclude some respondents from a particular question sequence if irrelevant.
 - Routing instruction: e.g., when an answer is negative, the interviewer is instructed to skip the next question and proceed to a specific section.

3- *Question types*

- A closed question is one in which the respondents are offered a choice of alternative replies.
- An open-free question is not followed by any choice and its answer is recorded in full.

Source: Oppenheim (2004, pp.108-115).

4.6.3.3 Closed and Open Ended Questions - Contextual effects

The researcher was very careful about when both open and closed types of questions were applied. For example, when a participant was given a multiple-choice question via the questionnaire, such as: Your educational level? (Section 2, Q3 in the questionnaire). Accordingly, the researcher provided certain answer options to participants, such as: BA, Master's, etc. along with an option of 'other' to avoid leading the respondent as it does have a contextual effect on subsequent open-ended questions due to guiding participants' thinking along a particular line (Bryman, 2012).

4.6.4 Resolution of Overall Method of Objectivity through Piloting

The term piloting is concerned with designing and testing questions and procedures over a lengthy period of time before any fieldwork takes place. It can be regarded as a preparatory stage for carrying out an effective data or idea collection method. In piloting, the researcher used a judgmental sample composed of 13 respondents to the questionnaire and 2 for the interviews to try out internal techniques used in data or idea collection methods. A pilot stage covers every aspect of data collection and idea collection methods from designing, organising, wording, exploring precepts and attitude scaling, processing data, and finally reporting (Saunders et al., 2011).

4.6.4.1 Question Wording

A. Factual Questions

There are some issues associated with asking factual questions, such as testing respondents on their 'periodical behaviours' to obtain certain data. Therefore, the researcher asked respondents to do the time sampling through a multiple-choice question with a large time frame to avoid creating any sort of embarrassment. For instance, in Section 2, Q6:

For how long have you been trading in the Stock Market?

- < 1 years 1-3 years 4-10 years 1-20 years

In addition, classification questions asking about issues such as age, sex were other areas of concern. Classification questions are investigative in nature. Therefore, the researcher carefully used classification questions as they possess some grading on scales of social class and prestige (Saunders et al., 2011). Therefore, the researcher strove to word classification questions as carefully as possible by

inviting respondents to express, for instance, what they do for living in a way keeping the ‘unclassifiable’ responses under ten percent (Saunders et al., 2011). For instance, Section 2, Q4:

Have you had any previous work experience related to share trading?

Yes No if Yes, Specify Occupation:

In addition, factual questions are ‘loaded with prestige’ and so researchers need to phrase questions in ways allowing for low-prestige answers to avoid social desirability biases (Bryman, 2012). Due to the social desirability bias caused by factual questions, questions of ‘classifying or personal data’ were placed towards the end of the questionnaire, in Section 2.

1. Reliability and Validity of Factual Questions

Reliability of factual questions can be measured through various techniques of internal checks such as asking a sequence of questions pertaining to a single variable in different ways to maintain the consistency in given answers. Another technique is to introduce phony items; when chosen, they suggest guessing or carelessness (Bryman, 2012). Thus, within the questionnaire of this study, under each subtitle, an internal check was conducted by asking a sequence of questions pertaining to a single variable. For instance, Section 2, Q6 and Q7:

For how long have you been trading in the Stock Market?

< 1 years 1-3 years 4-10 years 11-20 years

What is the longest period you have held onto a certain class of shares?

<1 month 2-3 months 4-6 Months 6-12 months 1 year 2-3 years >4 year

B. Non-Factual Questions

This type of question deals mainly with deep feelings, precepts and states of mind. Therefore, they are much more sensitive to “linguistics, situational and other biases” (Oppenheim, 2004, p.143).

Nevertheless, the use of multiple-choice questions can be of a great advantage in simulating such attitude or perception while giving respondents some assurances that others ‘do’ feel the same way through the supply of alternatives in the form of answers. For example, Section 1, Q1, IA

I.	<i>Rights of Shareholders Statements</i>	SA	A	N	D	SD
A.	<i>Your basic shareholder rights should include the right to:</i>					
	1. Obtain relevant and material information on a timely and regular basics					

1. Reliability and Validity of Non-Factual Questions

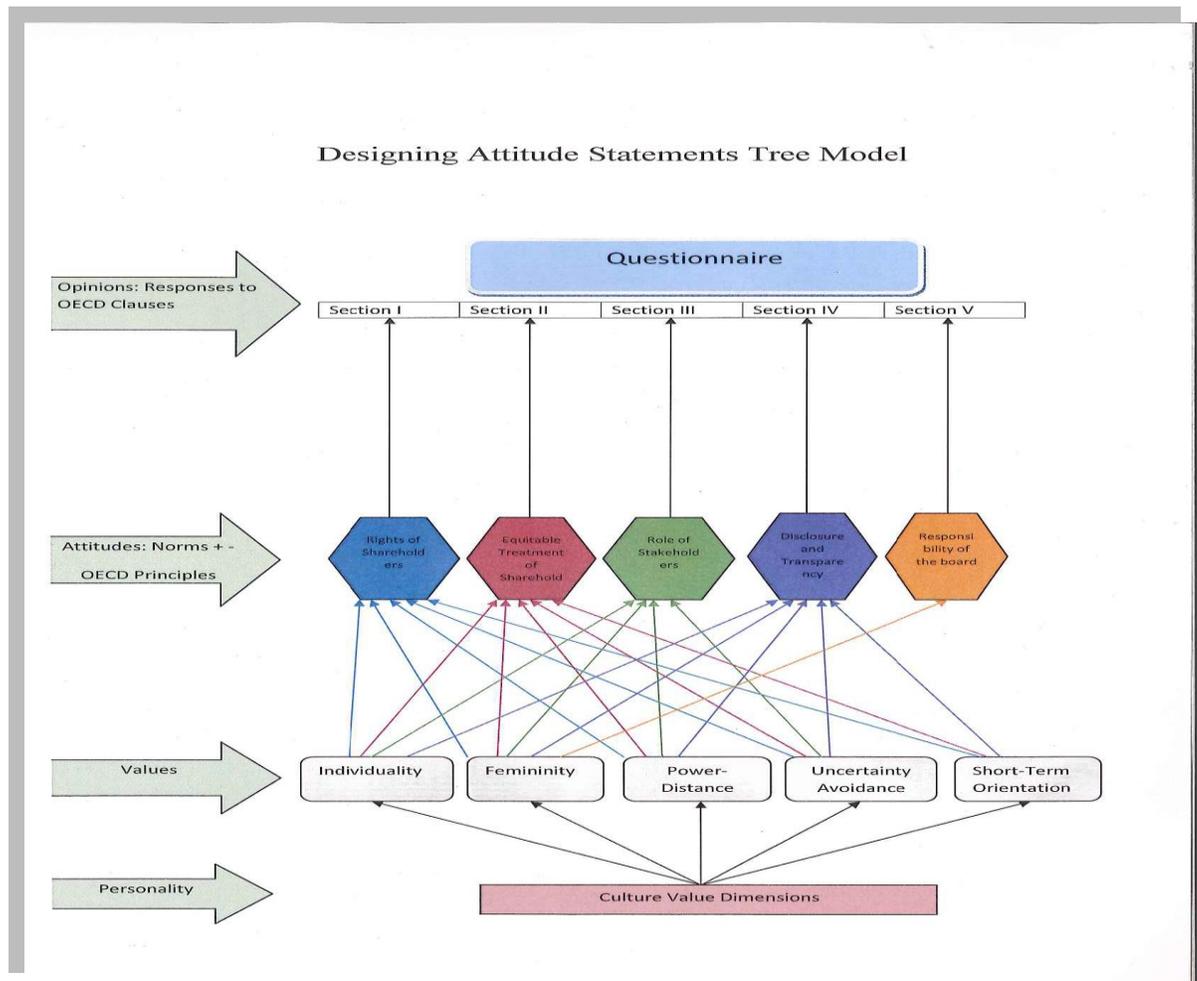
Reliability measures of attitudinal questions are similar but trickier than in the case of factual questions. Therefore, a set of attitude questions or attitude scales were used with respondents as researchers cannot rely on a single opinion question (Oppenheim, 2004). “By using SETS of questions, provided they all relate to the same attitude, we maximize the more stable components while reducing the instability due to particular items, emphasis, mood changes and so on” (Oppenheim, 2004, p. 147). For example, Section 1, Q1, IC.

C.	<i>You shall participate effectively and vote in general shareholder meetings. Hence, you shall:</i>	SA	A	N	D	SD
	2. Be Informed of Issues to be decided at the meeting PD=LUA=L 3. Place items on the agenda of general meetings IND=H, PD=L 4. Propose resolutions, subject to reasonable limitations IND=H PD=L 5. Challenge resolutions benefiting controlling shareholders IND=H PD=L					

Nevertheless, “the chief difficulty in assessing the validity of attitude questions is the lack of criteria [therefore,] what we need are groups of people with known attitude characteristics (criteria group), so that we can see whether or not our question can discriminate among them” (Oppenheim, 2004, p. 148). Hence, the validity of this questionnaire was measured through obtaining information from an independent source, namely Hofstede's website on Saudi CVD, to cross-check with the findings of the questionnaire analysis. In fact, the findings of the analysis were confirmatory of Hofstede's most recent findings pertaining to the Saudi CVD.

4.6.4.2 Designing Attitude Statements

In designing attitude statements, special attention should be paid to the tree model which shows the different layers of deep feelings, as constructed by Oppenheim (2004). “For ease of understanding, social psychologists make a rough distinction between these different levels, calling the most superficial one ‘opinions’, the next one ‘attitudes, a deeper level ‘values’ or ‘basic attitudes’, and a still deeper level ‘personality’” (Oppenheim, 2004, pp. 108-176). Therefore, when designing the questions for the questionnaire of this research, the CVD values to be captured were very clear to the researcher and so were the levels to be tackled as depicted in the figure below:

Figure 4.2 Designing Attitude Statements Tree Model

Source: The Author

Moreover, inclusion of positively and negatively expressed questions evenly throughout the whole inquiry was achieved in the build up of the questionnaires during the pilot phase. The logic behind such design is to reduce social desirability bias. In addition, favorable and unfavourable extremes were mixed up to the right and left of the rating forms to decrease the ‘halo effect’; which is when respondents allow themselves to be influenced by their feelings of like and dislike (Oppenheim, 2004).

For example, the questionnaire questions and their corresponding answer-forms were phrased as follow:

- Q.1: phrased **Positively** with a **Positive** corresponding Measure
- Q.2: phrased **Positively** with a **Negative** corresponding measure
- Q.3: phrased **Positively** with a **Positive** corresponding measure

Q.4: phrased **Negatively** with a **Negative** corresponding measure

In addition, the questionnaire as a whole was capable of reducing social desirability bias ‘acquiescence bias’ by designing a scale with balanced keying (an equal number of positive and negative statements) (Oppenheim, 2004). Therefore, acquiescence on positively keyed items can balance acquiescence on negatively keyed items, and ultimately reduces social desirability bias.

A. Attitude Scaling

There are numbers of attitude scaling techniques, such as social distance scale, Thurston scale, factorial scale and Likert scale (Saunders et al., 2011). All of these scales are designed to measure a number of variables in accordance with certain principles, such as:

Table 4.15: Attitude Scaling

-
1. Uni- dimensionality or homogeneity-items should hang together to measure the same dimension with a little extraneous variance as possible.
 2. Reliability-the indispensable attribute of consistency.
 3. Validity- the degree to which the scale measures what it sets out to measure.
 4. Linearity and equal or equal intervals-to make quantitative scoring possible.
-

Source: Oppenheim (2004, pp.189-201).

For the purpose of this research, a Likert scale was chosen for appropriateness along with factorial analysis. In the Likert scale, a sample of around 13 respondents was drawn to resemble respondents on whom the scale was to be used. A set of questions was used followed by alternative answers for each question such as ‘strongly agree’, ‘agree’, ‘uncertain’, ‘disagree’ and ‘strongly disagree’. In addition, the scoring of the questionnaire was designed to represent a positive attitude towards principles of CG pertaining to minority shareholders’ rights.

Therefore, a high score represents a positively desirable intake. The score for each answer ranges from 5 to 1. Hence, based on the previous scoring technique, the researcher categorised all items into favourable, mildly favourable, and unfavourable categories to measure groups of respondents’ perceptions in totality. Moreover, an internal-consistency test for each item to measure its correlation coefficient to the total item pool was done during the preliminary factorial analysis phase (see Appendix C10). For example, to measure item 1’s correlation coefficient, as shown in the table below, adding up all item scores to obtain a total score, and then comparing it to the score of the items to be measured minus the total score, which gave a coefficient score of ($r = .96$). Hence, item 1 was retained.

Table 4.16:

Respondent	Total score	Score on item 1	Total score minus item 1
A	45	5	40

Source: The Author

Therefore, the Likert Scale is useful in terms of measuring principles such as homogeneity, reliability, validity, and linearity. However, its linearity is quite limited as the scale offers no metric or detailed interval measures (Saunders et al., 2011).

Moreover, the factor analysis is “an internal–consistency method of item analysis provid[ing] some safeguard against the inclusion of unrelated items in a scale, but clearly a better way of ensuring unidimensionality” (Oppenheim, 2004, p.201). Hence, the researcher used factor analysis, during the piloting phase, for scale-building to eliminate items not belonging to a scale and to include items that did belong. The factor analysis simply breaks down homogenous attitudes into independent factors for a more precise measurement of dimensionality (Oppenheim, 2004). Therefore, as Oppenheim puts it, “factor analysis then becomes a tool for theoretical investigation, and new discoveries...[as] it can reveal similarities and differences between the scales as well as some of the underlying attitudes and value systems” (Oppenheim, 2004, p. 201).

B. Ratings

Rating is an effective tool that can be used to generate data and ideas. Specifically, rating is categorised into three ways

Table 4.17:

-
- 1- As objective assessments-for instance, a rating of the quality of fixtures and furnishings in a home during or after an interview
 - 2- In a subjective, projective way to tell us something about the rater’s precepts and attitudes
 - 3- A self rating of personality traits or attitudes
-

Source: Oppenheim, (2004, p. 232).

However, there is a substantial risk associated with rating as the margin for error of central tendency might affect the rating when opposing extremes of such views are adopted (Oppenheim, 2004). A difficulty to measure the mid-point and its relation to the favorable or unfavorable side has forced researchers either to adopt less extreme categories in their ratings or develop a ten-point scale to capture their required information (Bryman, 2012). In addition, favourable extremes should be mixed

up to the right and left of the rating forms to decrease the ‘halo effect’ (Oppenheim, 2004). For example, Section 1, Q1 and 3 have a mixed-up favourable and unfavourable extremes order on their answer forms:

Q1:

I.	<i>Rights of Shareholder Statements</i>	SA	A	N	D	SD
----	---	----	---	---	---	----

Q3:

III.	<i>Equitable Treatment of ShareholdersProblems</i>	SD	D	N	A	SA
------	--	----	---	---	---	----

In addition, the force choice of not having a midpoint but rather a six-point scale is ignored for the purpose of capturing the lenient-collective attitude of participants along with their cultural value dimensions. In fact, it has been demonstrated by researchers that a five-point scale is just as good as any other (Parasuraman, Grewal & Krishnan, 2006; Sekaran, 2006). For example, Section 1, Q3 III A.3.

Ex. Changes in voting rights shouldn’t be subject to approval by classes of shares negatively affected.

Explanation: if a participant has no opinion on this statement and does not see it as a problem affecting his or her investment, then it can be inferred that this participant’s value dimension on the *Power Distance* scale is highly representative of his answer along with a low level of *Femininity*, and *Individualism*. Therefore, having a mid-point will help in the assessment of this research analysis in terms of Hofstede’s CVD of Saudi shareholders as the extensive piloting, pre-testing, and factor analysis aided in the selection process.

C. Ranking

“Ranking means arranging in order, with regard to some common aspect. We can rank children in terms of their school performance, soldiers in terms of leadership potential...etc” (Oppenheim, 2004, p.250). Therefore, ranking is projectively a powerful tool to use when inquiring into respondents’ perceptions, especially in an exploratory sequence of questions to reveal specific elements about a subject matter (Bryman, 2012). For instance, in Section 2, Q8 participants were asked to rank their knowledge regarding their rights:

From this Questionnaire, how much information have you been aware of regarding your rights as a shareholder?

<10% 20-30% 40-60% 70-80% 90-100%

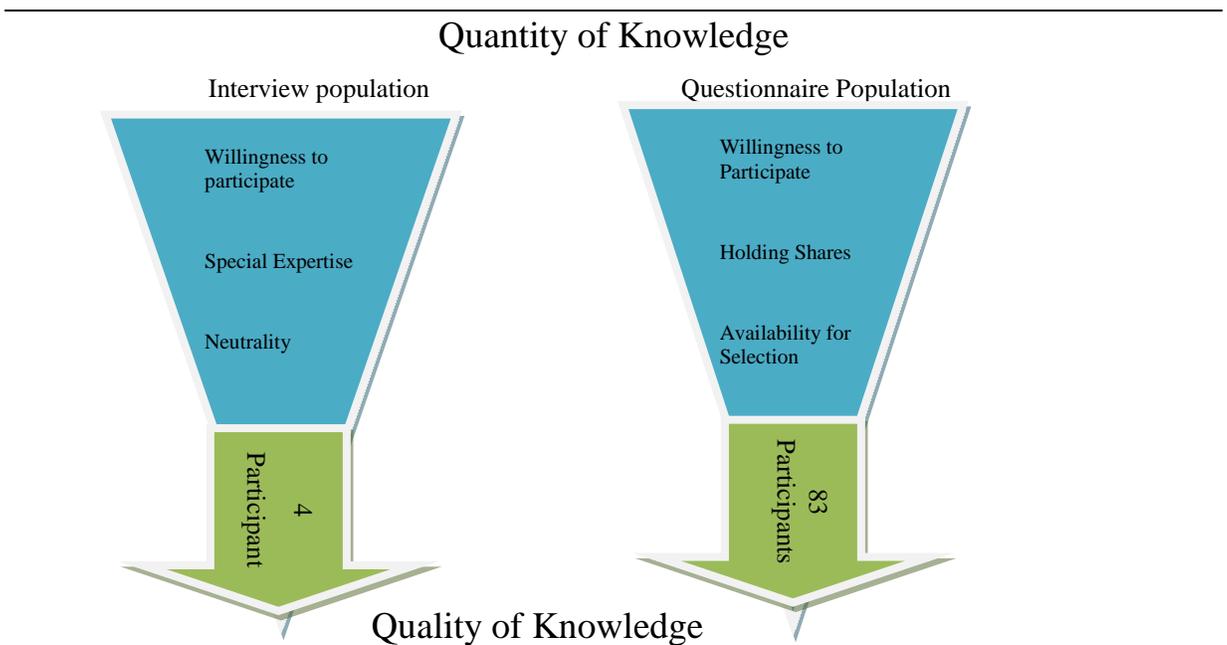
However, it should be clear that, “we would not use ranking technique if such knowledge were available (or if suitable assumptions could be made about the quality of the scale intervals); we would use some form of rating or scaling instead” (Oppenheim, 2004, p.250).

4.6.5 Summary

The use of semi-structured interviews and questionnaires along with their applicable techniques serves as data and idea collections for the purpose of this research. In addition, special attention was paid to piloting as its associated techniques serve as objectivity resolutions in reducing biases, such as interview bias, group bias, systematic bias, social desirability bias, ordinal bias, and biased language. Moreover, the piloting work was extensively carried out on both research methods and covered every aspect from designing, organising, wording, exploring precepts and attitude scaling, processing data, and finally reporting. Other techniques such as rating and ranking were used in cases of potential difficulty employing an attitude scaling technique.

4.6.6 Issues of Samples and Participants' Selections:

Figure 4.3: The Funnelling Technique for the Issues of Sampling.



Source: The Author and His Supervisor, Prof. Bob Ryan

A better way of describing the process, giving focus and purpose, is through 'funnelling' where by the total domain of knowledge processed by the relevant population is filtered through a series of criteria which lead to the selection of the targeted participants in the qualitative phase. These participants are the ones judged, through the filtering process, to offer the highest quality of knowledge and understanding of the problem domain.

Hence, the 'funnelling approach' is adopted initially by the researcher for the questionnaires to draft up targeted segments of Saudi Shareholders such as Majority, Minority, Sophisticated and non-

shareholders. Therefore, in order to carry out a census, the population sample of interest has to be clearly and accurately defined by the researcher (Burns & Grove, 1993).

- 1- The first step was to decide on the definition of Minority shareholder that would be used to define the population of interest. Conventionally, a Minority shareholder is any shareholder holding a significant amount of shares in a company but with total stock of less than 50% (Dignam & Lowry, 2014). In addition, SCGRs define Minority shareholders as “shareholders who represent a class not in control of the company so far as they are unable to influence it” (Al-Zahrani, 2013).
- 2- The definition of what constitutes a Majority shareholder from the Saudi Stock Exchange (SSE: also known as Tadawul) was adopted. According to the Saudi Stock Exchange website, a Majority shareholder is any shareholder “who owns 5% or more from a company’s shares”. Hence, a Minority shareholder will be any shareholder owning less than 5 percent, for the purpose of this study.
- 3- The definition of what constitutes Sophisticated shareholders is based on their expertise derived from their profession. Hence, all share-brokers working for Saudi Brokerage Company are classified as Sophisticated shareholders for the purpose of this research.

Having decided on the definition to be used for the population sample of Minority, Majority, and Sophisticated shareholders in Saudi Arabia, the second step consisted of the selection of an official and reliable source of information to identify listed corporations in Saudi Arabia. The only official and reliable source was the website of the Saudi Stock Exchange (Tadawul), as stated above.

In the light of this, it should be noted here that the population of listed Saudi corporations identified by the researcher numbers less than 187, as prescribed on the Saudi Stock exchange as of the 25th of April 2014. In addition, due to potential difficulty of accessing listed Saudi corporations’ registries to identify suitable Saudi shareholders for the purpose of this study, a census to collect and analyse data from Saudi shareholders found in major banks’ trading rooms was considered as Saudi banks are the leading licensed brokers in Saudi Arabia trading on behalf of their millions of savings and retail banking customers.

In summary, 50 participants was deemed to be sufficient for the purpose of this study, but a target of 83 participants was reached, including at least 20 women to allow for a measure of gender balance. Moreover, all potential participants were clearly pre-defined, accessible, reliable and approachable via the proper channels, as detailed above. Hence, the risk of self-selection sampling, and non-probability

sampling, is minimized as the questionnaires do not provide a wide range of participants with the option to participate in the survey of their own accord (Lavrakas, 2008).

In addition, the preliminary pilot analysis in the following chapter, Chapter 5, along with the redesigning phase of the questionnaire took into account all possible potential respondents and, accordingly, accounted for their demographic information. Hence, Section 2 of the questionnaire was designed to avoid any potential demographic bias that might be present in this study.

In addition, the groups to be analysed, for the purpose of this research, will be Majority, Minority, Sophisticated, and Non-shareholders to uncover any sort of discrepancies between them.

Moreover, the ‘funnelling approach’ was also adopted by the researcher for the interviews. As a result, a draft up of targeted segments was developed based on the legal and political expertise required to answer the second research question, regarding the political and legal factors influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders’ rights.

Table 4.18: Drafted Segments for Interviews

No	Drafted Segment	Approach	Result
1	Well-experienced lawyers in the area of corporate law	Via social network	5 lawyers identified: 2 participated
2	Well-experienced CPAs in the area of corporate governance and investor rights	Called and emailed all big four Audit companies in Saudi Arabia (See Appendix D4)	A few participants promised but did not participate
3	Saudi Organization for Certified Public Accountants (SOCPA)	Emailed (See Appendix D4)	No response
4	Saudi Capital Market Authority (SCMA), Saudi Ministry of Finance: both responsible for regulating the Saudi Arabian capital markets (Tadawal). Their responsibilities include setting CG rules and monitoring Saudi corporations’ compliance	Called, emailed, and there was no response. Researcher travelled to Riyadh to meet with one of the senior officials of Corporate Regulations (See Appendix D4)	1 participant identified: However, refused for an interview to be recorded. Hence, his opinions were carefully generalized and no direct quotation was reported or given.
5	Current and ex-Legislators	Identified via social network	2 identified: 1 ex-legislator participated
	Hofstede	Email with replies (See Appendix D3)	Results reported in Chapter 5

Source: The Author (See Appendices D3 & D4)

However, due to a series of criteria which lead to the selection of the targeted participants in the qualitative phase such as *Willingness to Participate, Special Expertise, and Neutrality*, only 4 participants were identified as depicted in the table below:

Table 4.19: Profile of Participants

Participants	Profession	Date of interviews
Participant 1 (Enint 1)	Lawyer 1	07/09/2014
Participant 2 (Enint 2)	Ex-Legislator	30/09/2014
Participant 3 (Enint 3)	Lawyer 2	26/08/2014
Participant 4 (Enint 4)	Senior Official in Corporate Regulations	13 /08/2014

Source: The Author

However, regardless of the small number of participants, these participants are the ones judged, through the filtering process, to offer the highest quality of knowledge and understanding of the problem domain to answer the second research question.

4.6.7 Issues of Translation in Terms of the Interview Materials

The Problem of the Arabic language is in the analytical setting. Arabic is not the most powerful language to deal with analysis. Hence, English is used when analysing interview materials and questionnaires' written comments.

Moreover, the interview guide was initially designed in English. Then, it was translated from English to Arabic by the researcher. Hence, all interviews were conducted in Arabic, as it is the business language in Saudi Arabia and to allow participants to respond to the interviews' questions in the language that they are most comfortable with. A final translation to English was done when reporting and transcribing each interview right after its occurrence: initially by the researcher and further checked by a certified translator, Ahmed Al-Harbi to ensure that the meaning of each answer is as consistent as possible with the Arabic version. Hence, the researcher is initially providing translation validity at the potential expense of literal accuracy, which was taken into account after the initial translation by the researcher through the certified translator to ensure meanings of translated materials are as consistent as possible with the Arabic version.

Moreover, and as mentioned above, the reporting and transcribing of each interview was right after its occurrence as advised by Saunders et al. (2007) "to create a full record of the interview soon after its

occurrence [is] one means to control bias and to produce reliable data analysis". Moreover, transcribing was done to capture only spoken words (Davidson, 2009).

4.7 Ethical issues:

A significant part of the research process is the careful consideration of ethical implications. In accordance with Saunders et al. (2007), research ethics deal with the appropriateness of researchers' behaviours in regard to the rights of participants who will form the subject of such research work and are more likely to be affected by such study. Hence, such ethical issues are more than likely to occur during the process of such research such as: in seeking access, data collection, data analysis and reporting (Sekaran & Bougie, 2010). Therefore, in this research study, the following ethical considerations are explored in order to minimize any potential risks: consent, confidentiality, debriefing, protection of participants, and withdrawal from participation.

A. Briefing

Briefing is a useful way of explaining the purpose of such research to potential participants. Therefore, a verbal briefing of the purpose of this study was given to all participants before the questionnaires were handed out and before the conduct of the interviews. In addition, Interviewed participants were briefed on the purpose of this study via email and again on the spot before conducting the interviews. Most importantly, the initial consent, via email, was requested after allowing each participant to go over the interview topics as detailed in the initial email sent prior to organizing the face-to-face interviews.

B. Consent

Informed and written consents were sought from interviews' participants to take part in the study prior to conducting the interviews. However, no written consent was sought from questionnaires' participants; hence, they were informed that they should feel free to hand in uncompleted questionnaires as they wish during the process.

For the Interviews, verbal testimonies of each participant were listed over an average of an hour and the discussion (although framed by a series of interview topic) was left relatively unstructured. The aim being was to draw formal responses that would illuminate key features of the quantitative analysis. In each case, the participant was asked for their consent prior via email and again on the spot was requested to sign the form of consent before conducting the interviews. Most importantly, the initial consent, via email, was requested after allowing each participant to go over the interview topics as detailed in the initial email sent prior to organizing the face-to-face interview. As a result, three of the

participants namely both lawyers and ex-legislator provided their consents and signed the consent forms. However, one participant, the senior government official in corporate regulations, was not willing to give any formal consent but was willing to participate in an unattributed discussion.

The reluctance to give his formal agreement is due to, firstly, the reason discussed above and secondly, this individual was highly influenced in his views. Hence, he was not willing to sign the form of consent. Thirdly, his reluctance stems from the counter's culture in Saudi Arabia where a written consent does not constitute indemnity but rather might substantiate a potential legal proceeding. Therefore, this individual's identity has been carefully anonymized, as table 4.19, page 111 depicts, and his opinions have been carefully generalized and no direct quotation was reported or given, in the conclusion of chapter 7 where they were only included as general points in the discussion, with no indication of participant 4.

C. Confidentiality

Regarding the questionnaire, the questionnaires were anonymous and participants were informed about that before they gave their verbal consents to participate and go to the designated locations where the questionnaires were handed out at designated trading rooms of two major banks in Saudi Arabia. Moreover, to ensure anonymity of the questionnaire, participants were not asked to state their names, and addresses or their firms. However, questionnaires were numbered instead for identification purposes in the analysis phase.

Moreover, particular barrier to people completing the questionnaire was a risk the researcher intended to reduce by using a 5-point Likert Scale (i.e. 5 point scale was chosen to encourage completion when an even number of scale was used). This tends to force participants to make a choice one way or the other and this was believed to reduce the risk of partial completion due to the purpose of measuring CVD of Saudi Shareholders using Hofstede's (2010) model. In addition, regarding the (natural reserve about the additional written comments participants make), the researcher opted for using only a one open-end question at the end of each of the three main questions of the questionnaire. Hence, in given their views: participants' views are more likely to be representative of generalized opinions instead of opinions specifically attributed to them. That was taken into account when interpreting the questionnaire data written comments as well. Hence, participants' views are likely to be quite bias towards heresy as this can be readily uncoupled from their own believes if challenged.

In addition, the anonymity of interviews' participants was also carefully considered in the qualitative phase of this study. For example, the anonymity of interviews' participants was ensured during the whole process of the qualitative phase including reporting the results. Hence, the identities of

participants were anonymized and cannot be identified at any point when reporting the results of the qualitative phase. Furthermore, confidentiality was maintained throughout the process and made clear to all participants. For example, participants were informed that the information collected was only to be used for the purpose of this research study. Hence, the data collected was treated in a strict manner of confidentiality. For instance, the computers on which data were stored were protected via passwords and paper records were kept in a locked file cabinet. Hence, only the researcher has access to such data. On completion of the qualitative phase, all audiotapes of interviews will be destroyed.

D. Protection of participants

It is a primary responsibility of researchers to protect involved participants from any potential physical or mental harm during the data collection phase. Moreover, this primary responsibility may extend beyond the data collection stage. Therefore, involved interviewed participants were briefed and informed about specific means of contacting the researcher after the experiment in case they might perceive that they have suffered harm or have concerning questions to ask.

E. Withdrawal from participation

It was made verbally and in writing for questionnaire participants that they can withdraw from participation at any point. In addition, both questionnaire and interviewed participants were both verbally advised that they were not obliged to take part in the study and may, at their discretion, not to fill in the questionnaire, or end the interview or make suggestions for a different approach at any stage, even after they have consented to take part.

Moreover, for interview participants, the means of how identified participants can inform the researcher of their intentions to withdraw from the research was considered. Hence, contact details such as email and telephone of the researcher were provided to all of them to make it easy for them to contact and inform the researcher if they wish to withdraw. In addition, clearance from the University of Gloucestershire's Ethics Committee was not required since this study involves adults over the age of 18 years.

4.8 Chapter Summary:

This study represents a single country, through an explanatory and exploratory case study (see Appendix B11) that looks into the issue of CG from the cultural, legal, and political perspectives within a particular social, economic and culture environment represented by Saudi Arabia.

Specifically, the first research question is explanatory in nature as it is intended to seek explanations of the nature of certain relationships (Schell, 1992) between cultural models, such as Hofstede's (2010)

CVD, and the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia. Whereas, the second research question is exploratory in nature as it is intended to identify other key factors (Schell, 1992) influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders' rights. In addition, the choice of following an interpretive paradigm for this case study is motivated by the main body of theory selected, the New Institutional Sociology theory, as the New Institutional Sociology theory is interpretive in nature as detailed in the methodology section of this chapter. Moreover, this case study utilised a mixed method approach, questionnaires and semi-structured interviews, to serve as data and idea collection tools respectively.

Furthermore, the quantitative method employed via questionnaires was designed to achieve the first objective of the study, which is to explore the extent that available cultural models (for example Hofstede, 2010) can explain the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia. Therefore, the questionnaire is constructed in line with the normative values composing the New Institutional Sociology theory as depicted in the tree diagram recommended by Oppenheim (2004) and modified by the researcher (see figure 4.1, p. 91). Hence, when designing the questions for the questionnaire of this research, the CVD values of Saudi shareholders to be captured were very clear to the researcher and so were the levels to be tackled. Moreover, each of the variables of the questionnaire was assigned to the applicable CVD dimension in accordance with Hofstede's criteria (1980-2010) (See Appendix B10).

In addition, the questionnaire was designed using variables comprising the minority shareholder's protection index found in the OECD principles of CG and corresponding to other indices aimed at measuring the level of minority shareholder protection found in prior studies such as La Porta et al.'s *Anti-director rights Index* (1997, 1998, 2006) and the *Index of Self Dealing* (Djankov et al., 2008). Therefore, the elements of the constructed index signified by the literature review phase (see Appendix B1) and inclusive of both indices mentioned above are: 1) Transparency, 2) Disclosure, 3) Directors' compensation, 4) Basic shareholders rights, 5) Equitable treatment of shareholders rights, and 6) Basic shareholder rights corresponding to short terms measures.

Moreover, the purpose of employing the semi-structured interview technique for this research was to gather ideas, information and facts stemming from the experience of well defined segments of lawyers and legislators to answer the second research question: what are the other factors influencing the level of compliance of listed Saudi Corporations' with the OECD principles with respect to the protection of minority shareholders in Saudi Arabia. Hence, a 'hidden agenda' of general topics concerning the legal and political frameworks in Saudi Arabia and its effect on the rights of minority shareholders was

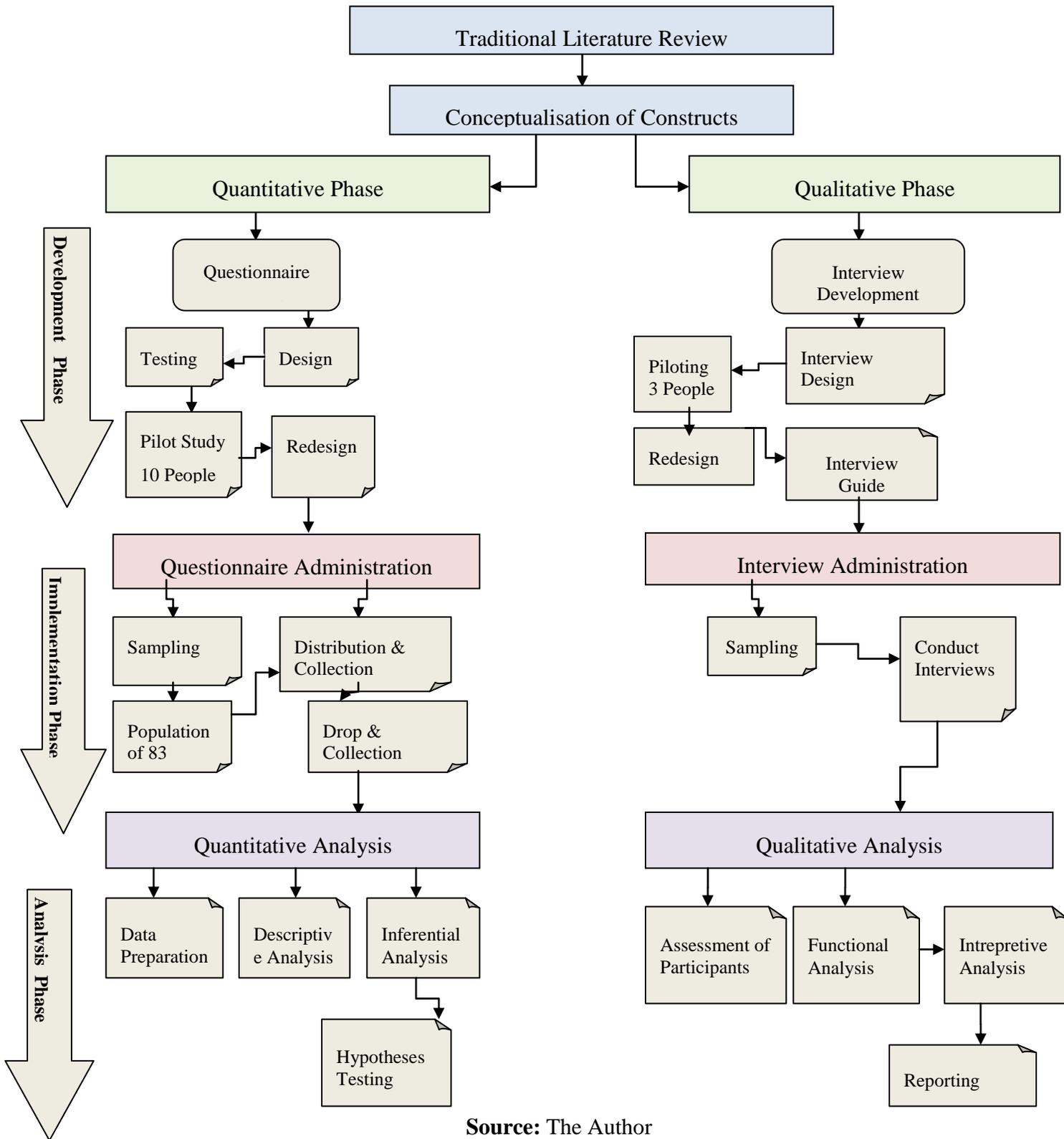
identified by the literature review phase. Therefore, variables extracted from the literature review phase were employed in the construction of the interview questions (see Appendices B2, B3).

Furthermore, the relative purpose of employing questionnaires and semi-structured interviews as research methods is that they provide mutual corroboration for this case study. Therefore, the questionnaires are intended to explore potential relationships between Saudi shareholders' CVD and the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia. Whereas the semi-structured interviews are intended to explore the depth and richness of the legal and political factors influencing the level of compliance of listed Saudi corporations' with the OECD principles with respect to the protection of minority shareholders, in Saudi Arabia.

In addition, further piloting work pertaining to both research methods will be discussed in detail in the following two chapters, which are: Chapter 5, Quantitative Research Analysis and Discussion; and Chapter 6, Qualitative Research Analysis and Discussion.

Therefore, the following chapter, Chapter 5, will present how the preliminary piloting work pertained to the questionnaire of this study was carried out during the quantitative analysis phase. In addition, the preliminary piloting work will be analysed using the Statistical Package for the Social Sciences (SPSS) software (version 21.0). Initially, the exploratory factor analysis will be performed to assess the convergent and confirm the validity of the variable constructs of the questionnaire. Hence, such tests will justify whether or not the questionnaire is suitable for structure detection. Then, Cronbach's alpha test will be performed to improve the overall reliability of the variable constructs of the questionnaire. Hence, and based on the results of the exploratory factor analysis and Cronbach's alpha, only significantly loaded items will be used in the inferential analysis. Below is a summary of the research design adopted by the researcher.

Figure 4.4: Research Design Flow Chart



Source: The Author

5. Chapter Five: Quantitative Research Analysis and Discussions

5.1 Introduction:

On the methodological level, this research engages in an ethno-methodology, which is the sociological study of rules and rituals underlying ordinary social activities and interactions. Accordingly, two forms of inquiry and data gathering are employed, namely: questionnaires and semi-structured interviews. Nevertheless, due to the nature of this chapter, which only deals with the quantitative research analysis, only the quantitative data collection method, the questionnaire, will be discussed.

The primary objective in developing the questionnaire for this study was to adequately capture critical information (Dunn & Huss, 2004) needed to answer the first research question, which is 'To what extent do available cultural models (for example, Hofstede, 2010) explain the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia' via a set of descriptive and inferential analyses of constructs motivated by the relevant literature review (see AppendixB1). In addition, cultural theory of CG based on the CVD framework addresses fundamental issues such as shareholding structures, the regulations of self dealing, insider trading and disclosure in previous research such as La Porta et al. (1999, 2000, 2002 & 2008).

Moreover, the justification for the use of questionnaires in an ethno-methodological study stems from the fact that this research borders on functionalism in that it deals with the codes and principles of CG as a function. In addition, the questionnaire of this study is consonant with an ethno-methodology framework as it is set to empirically measure Hofstede's (2010) CVD, comprising precepts and attitudes of Saudi shareholders based on the principles of CG found in the OECD (2004) pertaining to minority shareholders' rights. Therefore, the use of the questionnaire is appropriate to uncover potential correlations between Hofstede's (2010) CVD pertaining to the Saudi shareholders and the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia.

Therefore, this chapter will begin with the research design of the questionnaire, which is composed of three phases, namely: a developmental phase, an implementation phase, and an analysis/validation phase. Then, the chapter will deal with the preliminary examination of the data analysis process such as cleaning, screening, and classifying the data collected, along with addressing associated biases. In succession, the quantitative analysis phase will report the reliability and validity of the questionnaire instrument. Subsequently, the *Principle Component Analysis* test will report the suitability of the questionnaire for structure detection since the questionnaire of this study was constructed by the researcher. Afterwards, the chapter will proceed to address the first research question of this study by reporting descriptive statistics, unfolding the basic features of the data. This will provide simple

summaries about the distribution of independent samples of shareholder types, which are: Majority, Sophisticated, Minority, and Non-shareholder, in relation to Hofstede's (2010) CVD model.

Thereafter, the chapter will test and discuss a set of hypotheses, generated by SPSS and motivated by the relevant literature review (see Appendix B1, B2 & B3) and first research question.

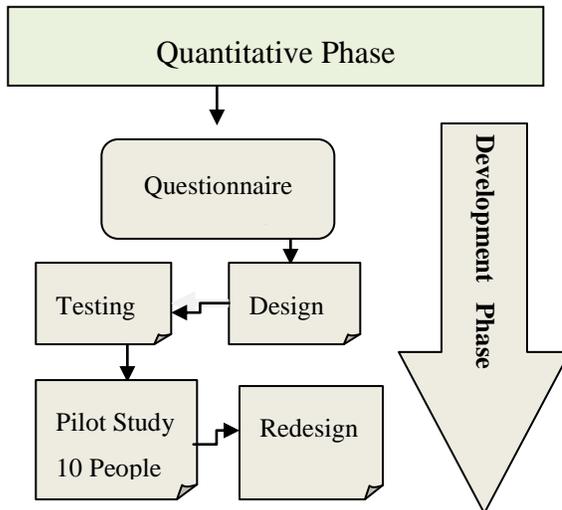
1. **Hypothesis 1:** The quality of the exercise of minority shareholders' rights, as defined by the OECD principles of CG, is low in high COL Cultures such as Saudi Arabia.
2. **Hypothesis 2:** The quality of the exercise of minority shareholders' rights, as defined by the OECD principles of CG, is low in high UA Cultures such as Saudi Arabia.
3. **Hypothesis 3:** The quality of the exercise of minority shareholders' rights, as defined by the OECD principles of CG, is low in high PDI Cultures such as Saudi Arabia.
4. **Hypothesis 4:** The quality of the exercise of minority shareholders' rights, as defined by the OECD principles of CG, is low in high MAS cultures such as Saudi Arabia.
5. **Hypothesis 5:** The quality of the exercise of minority shareholders' rights, as defined by the OECD principles of CG, is low in low LTO cultures such as Saudi Arabia.

Note: the meaning of CV dimensions such as *Individualism, Power Distance, Collectivism, Uncertainty Avoidance, Femininity, and Long Term Orientation* is not simply that used in common language (see page 29).

Overall, this chapter aims to test these hypotheses and ascertain whether they are true or false. Hence, *Non-Parametric* tests for several independent samples, such as *Kruskal-Wallis* and *Mann-Whitney*, are used to identify if the distributions of CV Dimensions are different across groups of Saudi shareholder types. In addition, *Non-Parametric* tests for categorical variables such as *Chi-Square Test, Yates' Correction* for small frequencies and *Fisher Exact* test are considered. Nevertheless, the *Chi-Square Test* was found not suitable with the data as the expected frequency in most cases was found less than 5, which invalidates a major pre-test condition for the *Chi-Square* test. Hence, other tests such as *Yates' Correction* for small frequencies and *Fisher Exact* test were considered. However, the researcher opted for the *Fisher Exact* test as it offers a resolution for the invalidation of the *Chi-Square's* assumptions of expected frequency of no less than 5, as recommended by Field (2005). Finally, a quantitative analysis discussion section will merge all findings together and the responses to open-ended qualitative questions contained in the questionnaire will be analysed under the discussion of each CV dimension.

5.2 The Development Phase

Figure 5.1



Source: The Author

A. Questionnaire Design

A structured questionnaire was designed for this study and a covering letter was attached at the beginning of the questionnaire to explain its purpose and give instructions on how to complete it. The primary objective in developing this questionnaire was to adequately capture critical information needed to answer the first research questions (Dunn & Huss, 2004), which is: To what extent do available cultural models (for example, Hofstede 2010) explain the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia? The questionnaire's constructs were selected by focusing on variables identified via a thorough review of the literature.

Initially, the questionnaire was designed in English (see Appendix B9) and was composed of 48 items pertaining to four main questions and had seven demographical questions. Following the pilot phase and data analysis, via the SPSS programme, on preliminary data collected from a judgment sample of 13 participants, items were shrunk to 35 covering three main questions (see Appendix C2). However, due to a printing error resulting in the deletion of two items from 35 of the questionnaires used during the data collection phase, the researcher opted to include only 33 items in the quantitative analysis.

In addition, each of the three main questions of Section 1 of the questionnaire was accompanied by an open-ended question, at the end of the Likert-scale answer form (see Appendix B4), to prompt in-depth insights pertaining to the variables under investigation. Moreover, the demographic questions, in Section 2, increased from seven to nine (see Appendix B4).

In addition, since the study was intended to be carried out in Saudi Arabia, the questionnaire was translated, initially by the researcher, from English to Arabic, and further checked by a certified translator, Ahmed Al-Harbi (see Appendix B5).

B. *Testing the Questionnaire*

As questions and items of the questionnaire needed to be tested for comprehension, clarity, and ambiguity, two methods of testing were used, as follow:

1) Pre-Testing

During the preliminary pilot stage of the questionnaire, as mentioned in the previous chapter, a preliminary sample of five participants was chosen and asked to fill out the questionnaires and comment on all questions and instructions given.

The major finding of this pre-testing phase was that the wording of the negative scale measurements of the answer form used initially was challenging. Participants found it very difficult and confusing to process their answers as the negative scale of the answer form was excessively designed to restrict participants' ordinal bias (see Appendix B9). Therefore, the researcher lessened the ordinal bias reduction technique used via "more simplification of the negative words guiding the answer form "to ensure that reliability of answers are higher when re-wording is done" (Krosnick & Berent, 1993).

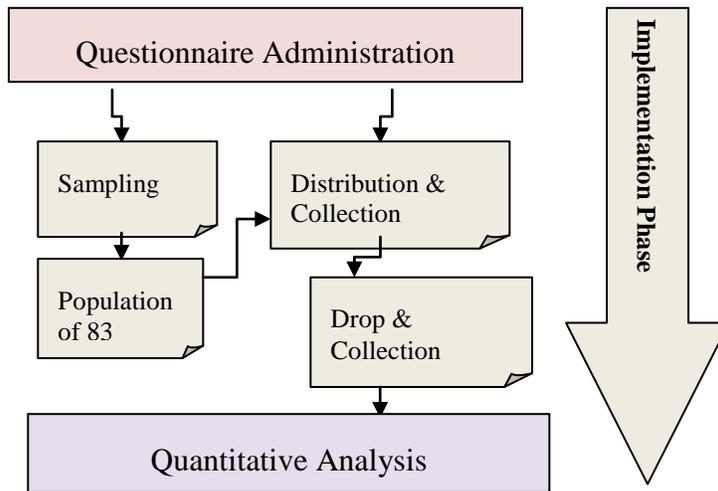
2) Field Testing

The piloting of the field testing was conducted by choosing a sample of eight Saudi shareholders in Jeddah, Saudi Arabia. Moreover, the questionnaires were self-distributed to friends who are well known to the researcher as share-traders. All participants were asked to fill out the questionnaires and comment on questions, ambiguous statements, and the instructions given. In addition, all participants were timed by the researcher to obtain an initial estimate of the time each questionnaire required to complete, which was 15 minutes.

In addition, the major finding of this field-testing phase was that the wording of the negative scale measurements of the answer form used initially was still challenging, as found by the pre-testing phase. Hence, the researcher simplified the negative scales of the questionnaire answer form further. Following this, the researcher re-contacted the field test participants again to get their comments on the newer version of the questionnaire, which they all found easier and more pleasing to fill out.

5.3 The Implementation Phase: Questionnaire Administration

Figure 5.2



Source: The Author

A. Sample Used in the Quantitative Phase

In order to carry out a census, the population sample of interest has to be clearly and accurately defined by the researcher (Burns & Grove, 1993).

- 4- The first step was to decide on the definition of minority shareholder that would be used to define the population of interest. Conventionally, a minority shareholder is any shareholder holding a significant amount of shares in a company but with total stock of less than 50% (Dignam & Lowry, 2014). In addition, SCGRs define minority shareholders as “shareholders who represent a class not in control of the company so far as they are unable to influence it” (Al-Zahrani, 2013).
- 5- The definition of what constitutes a major shareholder from the Saudi Stock Exchange (SSE: also known as Tadawul) was adopted. According to the Saudi Stock Exchange website, a major shareholder is any shareholder “who owns 5% or more from a company’s shares”. Hence, a minority shareholder will be any shareholder owning less than 5 percent, for the purpose of this study.

Having decided on the definition to be used for the population sample of minority and majority shareholders in Saudi Arabia, the second step consisted of the selection of an official and reliable source of information to identify listed corporations in Saudi Arabia. The only official and reliable source was the website of the Saudi Stock Exchange (Tadawul), as stated above.

In the light of this, it should be noted here that the population of listed Saudi corporations identified by the researcher numbers less than 187, as prescribed on the Saudi Stock exchange as of the 25th of April 2014. In addition, due to potential difficulty of accessing listed Saudi corporations' registries to identify suitable minority shareholders for the purpose of this study, a census to collect and analyse data from minority shareholders found in major banks' trading rooms was considered as Saudi banks are the leading licensed brokers in Saudi Arabia trading on behalf of their millions of savings and retail banking customers.

In summary, 50 participants was deemed to be sufficient for the purpose of this study, but a target of 100 questionnaire participants was set as an objective, including at least 20 to 30 women to allow for a measure of gender balance. Moreover, all potential participants were clearly pre-defined, accessible, reliable and approachable via the proper channels, as detailed above. Hence, the risk of self-selection sampling, and non-probability sampling, is minimised as the questionnaires do not provide a wide range of participants with the option to participate in the survey of their own accord (Lavrakas, 2008).

In addition, the preliminary pilot analysis along with the redesigning phase of the questionnaire took into account all possible potential respondents and, accordingly, accounted for their demographic information. Hence, Section 2 of the questionnaire was designed to avoid any potential demographic bias that might be present in this study.

In addition, the groups to be analysed, for the purpose of this research, will be Majority, Minority, Sophisticated, and Non-shareholders to uncover any sort of discrepancies between them.

B. Questionnaire Distribution & Collection

In succession of the refinement process of the questionnaire, the questionnaires were distributed in the trading rooms of two commercial banks with the help of trading room personnel.

1) Drop and Collect Phase

This phase took place in August 2014.

Table 5.1: Drop and Collect Time line

4	Data Collection Conduct Interviews + Questionnaires	Months Aug-Oct 2014	Completed	End of 2nd
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Source: The Author

Trading room managers were approached via a referral from a well-known regional manager who is a friend of the researcher. This approach was taken because the researcher was advised that bureaucracy would delay the process if it were to be conducted via formal channels in Saudi Arabia. Hence, a

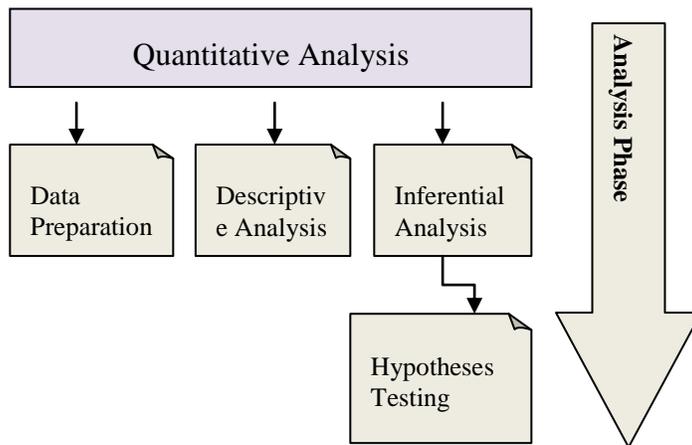
utilisation of a close network was recommended by the regional manager to achieve the data collection phase of the questionnaire.

Therefore, two trading room managers from two different banks were contacted and offered a show up at any time to conduct the data collection. Hence, six days of data collection were organised, three at each bank, and access was granted to trading rooms. In addition, a few trading room personnel were assigned by their managers to aid the researcher in the process. During these days, the purpose of the study was explained to all participants, and they were briefed about the ethical considerations.

The process was completed over a seven weeks period, and a total of 98 questionnaires were collected. Nevertheless, only 83 of those questionnaires were included in the analysis as the other 15 questionnaires were missing all demographic data or had less than half of the questions answered. In addition, the trading room managers offered to hand over 20 questionnaires, 10 each, to majority shareholders that they are aware of to aid this research study. However, only 9 were successfully completed and the other majority shareholders were identified by the trading room managers, to the researcher on the spot while administrating the questionnaires to participants. Hence, a total of 16 majority shareholders were surveyed.

5.4 The Data Analysis Phase

Figure 5.3



Source: The Author

A. Data Preparation:

Prior to the data analysis process to detect any missing responses via a frequency test, a process of editing, coding, capturing, and cleaning the data took place. As a result, the data preparation discarded

15 questionnaires because they were either missing the whole demographics section answers or partial answers were given to Section 1 of the questionnaire. Hence, only 83 questionnaires were analysed. This procedure is known as case-wise deletion and was preferred to other methods since it maintains consistency, ensuring that all analyses are conducted with the same cases (Kline, 2010).

1) Editing the Data

Editing the data ensures that all questionnaires are properly completed. This process involves checking data for omission, legibility and consistency in classification as well as discarding incomplete responses (Zikmund, 2003). Therefore, field editing was carried out to ensure that all questionnaires were completed and that the hand-written responses of participants were legible, since incomplete questionnaires could have a negative impact on the validity of the information collected (Emory & Cooper, 1991). In addition, the strategy followed under this category was to discard all incomplete questionnaires unless they could be used for scaling.

2) Coding the Data

Coding involves the assignment of numerics to answers; hence, enabling questionnaire responses to be grouped into limited categories (Cooper & Schindler, 2008). This process involves identifying, classifying and assigning numerics via: pre-coded and post-coded techniques (Luck & Rubin, 1987).

In this study, pre-coding was used for the closed-ended Likert-scale questions since potential answers could be anticipated beforehand. Hence, a coding sheet was developed (see Appendix B8). However, for the open-ended question following each questionnaire's sectional questions, a post-coded technique was used, since potential answers are difficult to anticipate.

3) Data Capturing

Data capturing is the direct input of coded data into the SPSS program, which allows the researcher to transform and manipulate the raw data into useful information (Cant, Gerber-Nel, Nel & Kotze, 2003).

4) Cleaning the Data

Data cleaning is the process undertaken after the entry of data and before the data analysis phase to identify errors, missing values, and ambiguities in responses (Diamantopoulos & Schlegelmilch, 1997). This process was accordingly carried for the purpose of this research.

B. Data Classification

Before analysing Hofstede's (2010) CVD model influencing the rights of Saudi minority shareholders, it was necessary to distinguish between the types of shareholders during the data collection phase. Hence, the trading room managers helped enormously in identifying 16 majority shareholders holding valuable trading portfolios at those designated banks. Also, they helped enormously in identifying 17 Sophisticated shareholders who were major brokers for licensed brokerage' companies. In addition, a number of questions were used, in the questionnaires, to test each shareholder's knowledge for classification as an internal classification technique (as it became evident to the researcher that the level of knowledge regarding shareholders' rights was correlating with the type of shareholders). Lastly, out of the 98 completed questionnaires, 15 responses were difficult to classify since they did not answer the demographic questions or had only partial answers.

C. Response Format and Rate

The Likert scale was used because it yields higher reliability coefficients with fewer items than the scales developed using other methods (Hayes, 1998).

5.5 Quantitative Analysis Phase:

5.5.1 Reliability

The reliability of an instrument refers to the consistency with which it measures a construct. Generally, Cronbach's alpha can be used to test the internal consistency of an instrument (Cronbach, 1951). In this study, the reliability of the questionnaire was evaluated by calculating the Cronbach's alpha scores for all the variables. The higher the Alpha is, the more reliable the test. Generally, there is no agreed cut-off. Nunnally (1978) and Field (2005) argue that the score of 0.7 and above is acceptable.

Table 5.2: Cronbach's Alpha

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	No. of Items
.861	.867	33

Source: The Author

Hence, for this study, Cronbach's alpha is 86% and the Cronbach's alpha based on standardised items is also 86% (see Appendix C1). Both scores are identical, which is a positive sign, thus providing

assurances of the internal consistency of the questionnaire as a whole with internally consistent and reliable variables.

Moreover, to improve the overall reliability, the Cronbach's alpha If Item Deleted was also calculated. The significance behind this calculation is to see if the Cronbach's alpha If Item Deleted might become bigger than the Cronbach's alpha of the whole study, which might indicate a major problem to the internal consistency test. Therefore, the criteria to assess this process are to compare the corrected item-total correlation between items and the composite score of all other items. Also, it is recommended that such comparison should fall between .2 -.7 (Field, 2005). For this study, out of the 33 items, only five scored below the .2 criteria. However, their effect on the Cronbach's alpha If Item Deleted was minimal compared to the overall Cronbach's Alpha score of 86 %. Specifically, their effect was only shown in the 3rd decimals of the Cronbach's alpha If Item Deleted; increasing by 1-5 respectively. Hence, those five items did not affect the Cronbach's alpha If Item Deleted significantly (see Appendix C1). Therefore, these five items have been retained as they were signified by the relevant literature review phase.

Moreover, there is no such risk of specific variables inclusion in hypothesised testing as most of these 33 variables are meant to measure the CVD of Saudi shareholders based on the attitudes of respondents towards their shareholder rights, with their attitudes measured through a 5 point Likert scale for the purpose of this study. In addition, the hypothesis testing was done on the cumulative scores of those 33 items, measuring the five CV dimensions of Saudi shareholders.

5.5.2 Validity

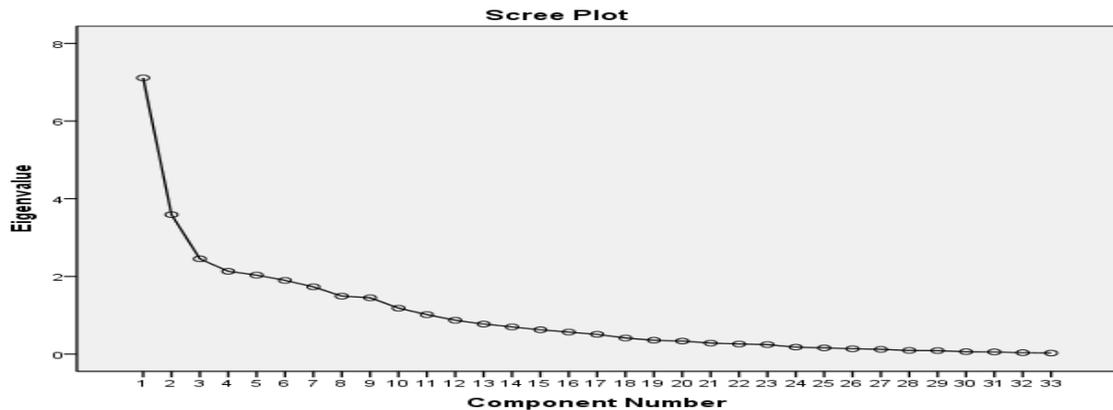
The exploratory factor analysis test was performed to assess convergent and discriminate validity. The factor analysis was performed on Part 1 of the questionnaire that is designed to measure an overall score of Saudi shareholders' CVD and compare it with Hofstede's score of the Saudi CVD, provided on his website, to see if there might be any discrepancies. Then, the study aims to break down the overall CVD scores into groups of shareholder types: Majority, Sophisticated, Minority and Non-shareholders. In fact, this statistical technique is capable of conveying whether or not those different types of shareholders differ on their CVD scores based on their attitudes towards minority shareholder rights, as prescribed by the OECD principles of 2004.

Therefore, without the exclusion of the five items with low internal consistency identified via the Cronbach's alpha if Item Deleted due to their significance in the relevant literature, all 33 items were subjected to the factor analysis test using the principal component analysis as the extraction technique.

In addition, the Oblique rotation, Oblimin, was used with Kaiser Normalisation as the rotation method due to the researcher's belief that all factors are related to each other (Field, 2005).

Thus, 11 factors were specified and signified by the total variance explained. Moreover, all of those 11 factors together account for 79% of the variability in the original variables.

Figure 5.4: Scree Plot



Source: The Author

This result suggests that all of those 11 factors were associated with the effect of Saudi shareholders' CVD on the quality of the exercise of minority shareholders' rights as defined by the OECD. In addition, 10 of those factors were found to be the sub-themes, identified via the literature review phase and used in the questionnaire, stemming from three broad constructs (see Appendix C2). Moreover, one of these factors represents a combination of all three broad constructs put together.

In addition, Steenkamp and VanTrijp (1991) argue that statistically significant factor loadings signify the existence of convergence validity with the recommended (P value $> .40$) in the Pattern Matrix (Field, 2005). Thus, the Pattern matrix graph (see Appendix C2) confirms the convergent validity of all the constructs by showing that all of the items loading making up the 11 factors were significant and well above the acceptable cut-off-point (P value $> .40$).

5.5.2.1 Exploratory Factor Analysis

A. Principle Component Analysis: PCA

The logic of employing a particular data reduction technique such as the *Principle Component Analysis* for this research is to justify the suitability of the questionnaire for structure detection. In addition, since the questionnaires' constructs, for this study, were mainly selected from the relevant literature review (see Appendices B1, B2 & B3) and as no present study has produced a similar survey to adopt, the researcher felt the urge to ensure the suitability of this study's questionnaire for structure detection.

Therefore, the following *Principles Component Analysis* sub-tests have been performed: 1) The Kaiser-Meyer-Olkin (KMO) to verify the sampling adequacy for the analysis, and 2) Bartlett's test to identify potential correlations between the questionnaires' 33 items. Other PCA's tests such as the Pattern Matrix test were performed to ensure the thematic orders of the questionnaires' constructs and allow for new merging themes to be employed. Below is a brief description of these tests along with their findings:

Table 5.3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.518
Bartlett's Test of Sphericity	Approx. Chi-Square	1341.198
	Df	528
	Sig.	.000

Source: The Author

The Kaiser-Meyer-Olkin (KMO) measure test verified the sampling adequacy for the analysis, (KMO = .518), which is above the acceptable limit recommended by Kaiser (1974). Moreover, the KMO score, of this study, is considered mediocre since it falls between 0.5 and 0.7 (Hutcheson & Sofroniou, 1999).

In addition, the Bartlett Test of Sphericity was highly significant at 0.000, suggesting large correlations between items for structure detection.

Moreover, an initial analysis was run to obtain Eigen values for each component in the data. As a result, 11 components had Eigen values over Kaiser's criterion of 1 and in combination explained 79 % of the variances (see Appendix C2). In addition, the Pattern matrix confirmed all the research constructs with the emergence of interrelated themes under specific factors. The original themes were:

Table 5.4: Original Themes

Broad Theme	Sub-themes	Questions
Rights of Shareholders	<i>Basic shareholder rights</i>	Q1:A1,A2,A3,A4,A5
	<i>Participation on fundamental corporate changes</i>	Q1:B1,B2,B3,B4
	<i>Participation and voting in GM</i>	Q1;C1,C2
	<i>Participation in key corporate governance decisions</i>	Q1:D1,D2,D3
	<i>Voting power</i>	Q1:E1
<i>Disclosure and Transparency</i>	<i>Disclosure on material information</i>	Q2:A1,A2,A3,A4,A5

	<i>Exercise of ownership rights by institutional investors</i>	Q:2:B1,B2,B3
	<i>Criteria of Disclosure</i>	Q2:C1
Equitable Treatment	<i>Shareholders of the same series of a class</i>	Q3:A1,A2,A3
	<i>Shareholders protection</i>	Q3:B1,B2,B3,B4,B5,B6

Source: The Author

The factor analysis, via the Pattern Matrix, produced a new order of the above constructs and merged the highly correlated items loading with each other on 11 factors. The eleven factors indicated are:

Table 5.5: Pattern Matrix Themes

Factor	Broad Theme	Sub-themes	Questions
1	Rights of shareholders Disclosure and transparency	<i>Shareholders voting power</i> <i>Exercise of ownership by institutional investors</i> <i>Disclosure regarding material information</i>	Q1:E1 Q2:B3, B2,A3
2	Equitable treatment of shareholders	<i>Shareholder protection</i>	Q3:B6, B4, B5, B3, B2
3	Rights of shareholders	<i>Basic shareholder rights</i>	Q1:A2,A3,A1
4	Rights of Shareholders Equitable Treatment	<i>Basic shareholder rights</i> <i>Participation in key CG decisions</i> <i>Shareholders of the same series of a class</i>	Q1:A4, D3 Q3:A3
5	Disclosure and transparency	<i>Exercise of ownership by institutional investors</i> <i>Criteria of Disclosure</i>	Q2:B1, C1
6	Disclosure and transparency Rights of shareholders	<i>Disclosure on material information</i> <i>Participation and voting in GM</i>	Q2:A4 Q1:C1
7	Rights of shareholders	<i>Participation in fundamental corporate changes</i>	Q1: B2, B4, B3
8	Rights of shareholders	<i>Participation in key corporate governance decisions</i>	Q1: D1, D2
9	Equitable treatment Disclosure and transparency	<i>Shareholders of the same series of a class</i> <i>Disclosure on material information</i>	Q3: A2, A1 Q2: A2
10	Equitable treatment Rights of shareholders Disclosure and transparency	<i>Shareholder protection</i> <i>Participation and voting in GM</i> <i>Disclosure on material information</i>	Q3: B1 Q1: C4 Q2: A5
11	Disclosure and transparency Rights of shareholders	<i>Disclosure on material information</i> <i>Participation on fundamental corporate changes</i> <i>Basic shareholder rights</i>	Q2: A1 Q1: B1, A5

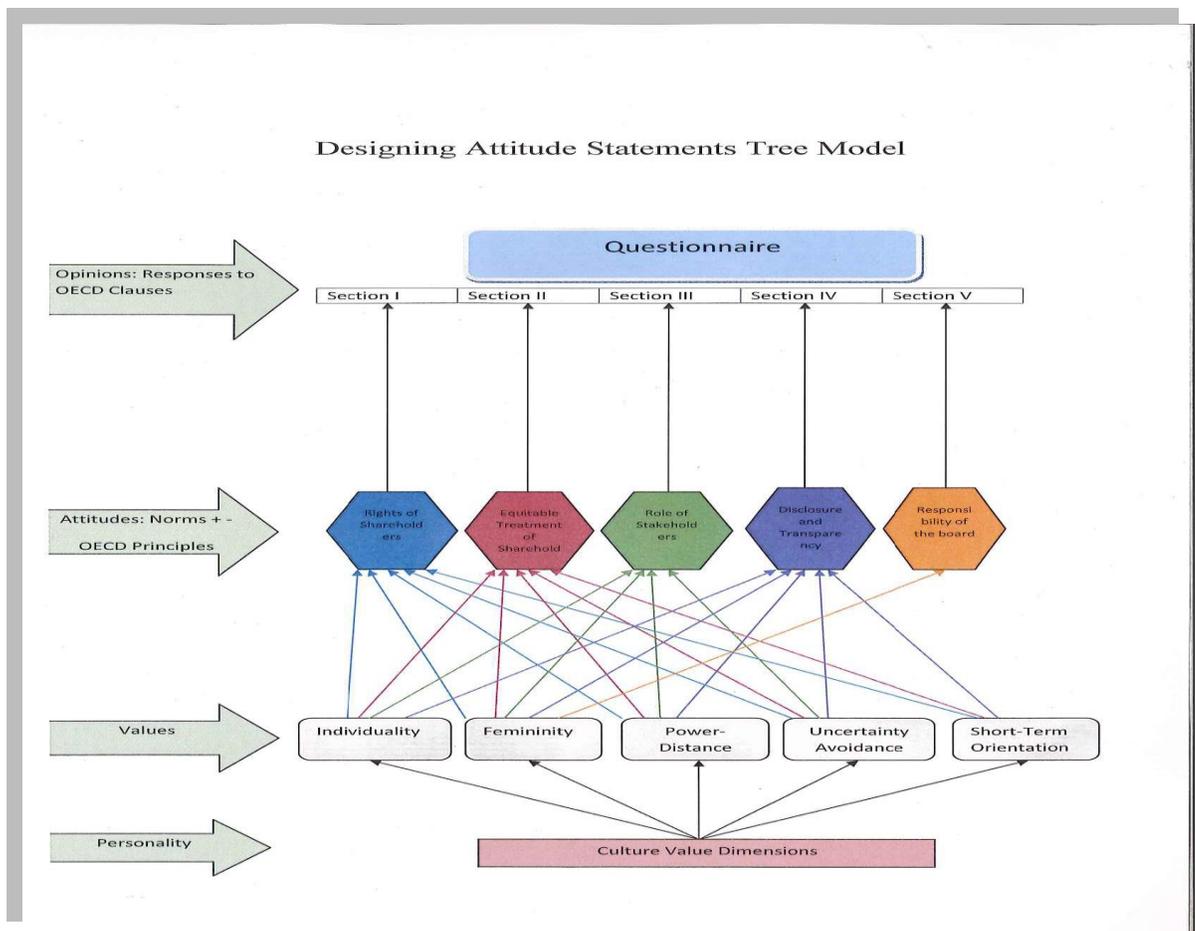
Source: The Author

As the exploratory factor analysis highlights above, in terms of the relationship between some of the constructs, the choice of performing the Oblique rotation was reliable as the researcher expected the factors to be closely related to each other.

Hence, such results of the questionnaires' via the PCA test on constructs ensure the suitability of this study's questionnaire for structure detection to measure Saudi shareholders' CVD and to allow for further hypothesis testing.

For example, in developing the questionnaire of this study, special attention was paid to the tree model, as previously discussed in Chapter 4 page 103, when designing attitude statements for the questionnaires, which shows the different layers of deep feelings, as constructed by Oppenheim (2004). "For ease of understanding, social psychologists make a rough distinction between these different levels, calling the most superficial one 'opinions', the next one 'attitudes, a deeper level 'values' or 'basic attitudes', and a still deeper level 'personality'" (Oppenheim, 2004, pp. 108-176). Therefore, when designing the questions for the questionnaire of this research, the CVD values to be captured were very clear to the researcher and so were the levels to be tackled as depicted in the figure below:

Figure 5.5 Designing Attitude Statements Tree Model



Source: The Author

To illustrate, the table below is an extract from the questionnaire (see Appendix B8). This extraction is from section 1, sub-section B which includes variables of the Rights of Shareholders signified by the relevant literature and are part of the clauses of the OECD principles of CG of 2004. The logic of this sub-section B is to capture respondents' opinions towards this section, which are basically OECD clauses.

Table 5.6

<i>I.</i>	<i>Rights of Shareholders Statements</i>	<i>SA</i>	<i>A</i>	<i>N</i>	<i>D</i>	<i>SD</i>
<i>B.</i>	<i>You shall participate in and be sufficiently informed on decision concerning fundamental corporate changes such as:</i>	<u>5</u>	4	3	2	1
	1. Amendments to the statutes or articles of incorporation PD=L, IND=H, UA=L					
	2. Authorization of additional shares PD=L, IND=H, UA=L					
	3. Assignment of Pre-Emptive Rights: given you the first opportunity to buy new issues of stock IND=H, UA=L, LTO=H					
	4. Extraordinary transactions resulting in the sale of the company LTO=H					

Source: The Author

These OECD clauses as articulated in the table above convey the Profession favourable norm to be complied with regarding shareholders' participations on decision concerning fundamental corporate changes. Hence, the function of inclusion of these variables is to capture via the Likert scale whether or not respondents' attitudes towards these norms either positive or negative. As implied in the favourable scale above, a strong agreement will score 5 and less favourable attitude is designed to score lower via the Likert scale used. In addition, each of these rights of shareholders is assigned to the proper Hofstede (2010) CV dimension as highlighted in blue ink. The logic behind each assignment is contextualized in the table below, which is an extract from Appendix B10:

Table 5.7

SPECIFIC CONSTRUCT	ASSIGNMENT OF HOFSTEDTE DIMENTIONS
Amendments to the statutes	Triggers <i>Power-Distance</i> in shareholders as they see themselves equal and valuable to participate and decide on matters concerning amendments to the statutes of incorporation .In addition, it triggers <i>Individualism</i> in shareholders as they take matter into their own hands to look after themselves. Moreover, by doing so <i>Uncertainty-Avoidance</i> is triggered and such task won't be considered threatening as it's lawfully prescribed.
Authorization of additional shares	Triggers <i>Power-Distance</i> in shareholders as they see themselves equal and valuable to participate and decide on matters concerning authorization of additional shares .In addition, it triggers <i>Individualism</i> in shareholders as they take matter into their own hands to look after themselves. Moreover, by doing so <i>Uncertainty-Avoidance</i> is triggered and such task won't be considered threatening as it's lawfully prescribed.
Pre-Emptive rights	It triggers <i>Individualism</i> in shareholders as they look after their wealth and opportunity to increase it. Moreover, by doing so <i>Uncertainty-Avoidance</i> is triggered as shareholders demand the right to hold first opportunity to buy new issues of stock. Hence, they reduce the risk of un-wanted control by an existing

	major shareholder or a hostile outsider. In addition, it triggers Long-Term Orientation as shareholders look for better values to buy shares before bidding-inflation effect, a pragmatic approach towards their share investments, and allow them for better sale price in the future once the new shares are effectively accounted for as a companies' capital in the Stock Market in the long run.
Extraordinary transactions	Triggers <i>Long-Term Orientation</i> as extraordinary transactions affect future reporting of profits and they are cautionary in nature in regard to future profits. In addition, extraordinary transactions trigger the LTO of shareholders in terms of their adaptabilities to changing circumstances in corporations they have invested in.

Source: The Author

The reason each of these variables is being assigned to the proper Hofstede (2010) CV dimension is to allow the questionnaire as a whole to measure, in content specific manner, Saudi shareholders' CV dimensions and to allow comparison with Hofstede's (2010) scores to see if there is any discrepancy and to allow for further hypothesis testing in the quantitative phase to answer the first research question.

Moreover, the exploratory factor analysis test of Principle Component Analysis, PCA, confirmed all the research constructs including, for example, section 1 sub-section B with the emergence of interrelated themes under specific factors via the Pattern matrix report. For illustration, the original themes of the Rights of Shareholders were: in blue ink are the variables considered for this example.

Table 5.8

Broad Theme	Sub-themes	Questions
Rights of Shareholders	<i>Basic shareholder rights</i>	Q1:A1,A2,A3,A4,A5
	<i>Participation on fundamental corporate changes</i>	Q1:B1,B2,B3,B4
	<i>Participation and voting in GM</i>	Q1:C1,C2
	<i>Participation in key corporate governance decisions</i>	Q1:D1,D2,D3
	<i>Voting power</i>	Q1:E1

Source: The Author

The factorial analysis has via the Pattern Matrix produced a new order of the above constructs and merged the highly correlated items loading with each other on 11 factors with each other. Below how the examined variables for the purpose of this demonstration has been re-ordered.

Table 5.9

Factor	Broad Theme	Sub-themes	Questions
7	<i>Rights of shareholders</i>	<i>Participation on fundamental corporate changes</i>	Q1: B2, B3, B4
11	Disclosure and transparency	<i>Disclosure on material information</i>	Q2: A1
	<i>Rights of shareholders</i>	<i>Participation on fundamental corporate changes</i> <i>Basic shareholder rights</i>	Q1: B1, A5

As it can be seen from the table above, there is not that much difference regarding what the Pattern Matrix has suggested due to the heavy reliance of this research's constructs on the relevant literature.

Overall, based on the results of the exploratory factor analysis, which was performed on the items that measure the CVD of Saudi shareholders based on their attitudes towards the rights of minority shareholders as prescribed by the OECD principles of CG, all of the survey instrument's constructs were deemed valid.

Hence, the 33 items representing the 11 factors of CG principles drawn from the OECD (2004) are valid and hence retained to measure Hofstede's (2010) five CVDs: namely, *Individualism*, *Power Distance*, *Uncertainty Avoidance*, *Femininity*, and *Long Term Orientation*.

In addition, as those 33 items representing the 11 factors of CG principles were drawn from the OECD (2004) are validated and signified by the exploratory factor analysis phase, they were hypothetically tested in relation to shareholder's type. Moreover, the significance of such test helps to answer the first research question: To what extent do available cultural models (for example Hofstede, 2010) explain the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia?

5.5.3 Descriptive Analysis

The describe statistic is used, for the purpose of this research, to describe the basic features of data collected from the questionnaires (Parasuraman et al., 2006). Hence, the descriptive analysis refers to the transformation of raw data into a form that would provide information to describe a set of factors in a situation that makes them easy to understand and interpret (Zikmund, 2003; Sekaran & Bougie, 2010).

For the purpose of this study, descriptive statistical techniques were used to inspect the data before testing formal research questions to provide simple summaries about the distributions of independent samples of shareholder types: Majority, Sophisticated, Minority and Non-shareholders in relation to Hofstede's (2010) CVD. In addition, the Mode was of significant value as it represents the score that occurs most frequently in the data set; hence, through which Hofstede's (2010) CVD pertaining to Saudi shareholders can be measured for each shareholder type. Thus, the descriptive statistics, along with simple graphic analysis, form the basis of virtually every quantitative analysis of the data collected.

In light of this, the descriptive characteristics of the research sample, for the questionnaire, are presented in the following sections and are divided into two main categories:

A. Demographic Characteristics of Respondents.

- 1) An overall demographic characteristic analysis on the sample size (see Appendix C3 for full discussion).
- 2) A shareholder type specific-demographic characteristic analysis (see Appendix C3 for full depiction & discussion).

B. Distributions of CVD Dimensions

- 1) An overall depiction of the distribution of CVD pertaining to Saudi shareholders in comparison with Hofstede's findings found on his website.
- 2) The CVD distribution of each shareholder type.

A. Demographic Characteristics of Respondents

The questions in Section 2 of the questionnaire requested participants to provide general background information about their profiles, including gender, age, education, previous experience, and family background. To analyse the respondents' profile data, frequency distributions were calculated for all cases in this research and are summarised as follow:

1) An Overall Demographic Characteristics Analysis of the Sample Size**Table 5.10: Demographic Characteristics**

Characteristics of respondents	Frequency	%	Cum %
Gender			
Male	60	72.3	74.1
Female	21	25.3	100
Age			
25-45	61	73.5	75.3
> 45	15	18.1	93.8
18-24	5	6.0	100
Education			
High school	5	6.0	6.3
Diploma	19	22.9	30.0
Doctorate	2	2.4	32.5
Master's degree	14	16.9	50.0
Bachelor degree	40	48.2	100.0
Shareholder's Type			
Majority	16	19.3	19.3
Sophisticated	17	20.5	39.8
Minority	35	42.2	81.9
Non-Shareholders	15	18.1	100
Have you had any work experience related to share trading			

Yes	29	34.9	35.8
No	52	62.7	100
Have you been trading in the stock market?			
Yes	40	48.2	50
No	40	48.2	100
For how long have you been trading in the stock market?			
11-20 years	2	2.4	3.0
4-10 years	14	16.9	24.2
1-3 years	28	33.7	66.7
< 1 year	22	26.5	100
What is the longest period you have held onto a certain class of shares?			
➤ 4 years	6	7.2	9.0
2-3 years	10	12.0	23.9
1 year	10	12.0	38.8
6-12 months	5	6.0	46.3
4- 6 months	12	14.5	64.2
2-3 months	9	10.8	77.6
➤ 1 month	15	18.1	100
From this questionnaire, how much information were you aware of regarding your rights as a shareholder?			
90 – 100 %	4	4.8	5.2
70- 80 %	13	15.7	22.1
40- 60 %	19	22.9	46.8
20-30 %	15	18.1	66.2
< 10 %	26	31.3	100
Will you require the blessing of a religious scholar to enforce these rights?			
Yes	61	73.5	77.2
No	18	21.7	100

Source: The Author.

2) A Shareholder Type Demographic Characteristics Analysis: (See Appendix C3 for full depiction & discussion):

The most intriguing findings of this section are the following:

❖ ***Awareness Regarding Shareholder's Rights***

- *Majority:* 75 % of respondents were aware of 70-80 % of their rights and the other 25 % were aware of 90-100 % of their rights.
- *Sophisticated:* 100 % of them were aware of 40-60 % of their rights.

- *Minority*: 63.6% were aware of less than 10% of their rights, and the other 36.4% were aware of 20-30 % of their rights.

Perhaps, based on the results of this sample size, the level of awareness was dependent on the close approximation between these segments and Saudi listed corporations' boards. Hence, further assessment of this factor is taken into account for the qualitative analysis phase as it was signified by the literature review phase.

❖ *Requiring the Blessing of a Religious Scholar*

- *Majority*: 87.5 % of respondents required the blessing whereas 12.5 % did not require it
- *Sophisticated*: 93.8 % of respondents required the blessing whereas 6.2 % did not require it
- *Minority*: 74.3 % of respondents required the blessing whereas 25.7 % did not require it.

These figures are indicative of the religious nature of Saudi shareholders and the Saudi Society as a whole. However, it seems that *Minority Shareholders* are more liberated from religious restrictions than any other segment. Further investigation of the religious factor will be conducted in the hypothesis phase of this section.

Nevertheless, such hypothesis testing will be delayed until further descriptive analysis of the distributions of CV dimensions uncovers other basic features of the data. In addition, this undertaking will show whether or not assignments of Hofstede's (2010) CVD corresponding to the OECD principles of CG pertaining to Saudi minority shareholders is capable of measuring the CVD of Saudi shareholders. Hence, a partial objective of the first research question: To what extent do available cultural models (for example Hofstede, 2010) explain the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia? will be met.

B. Distribution of CV Dimensions

1) An Overall Depiction of CVD Distribution of Saudi Shareholders

The descriptive statistics in this section quantify the center of distribution based on the CVD of Saudi shareholders. The variables of the questionnaire represent shareholder's rights as defined by the OECD principles of CG. Each variable in the questionnaire was assigned to the corresponding CV dimension (see Appendix B8), as defined by Hofstede (2010).

Therefore, the CVD of Saudi shareholders was measured by looking at the Mode of the central tendency, which represents the score that occurs most frequently in the data set. In addition, the scale is designed from 0 to 100 with 50 as mid-level point; hence, as a rule of thumb, if a score using the Mode is under 50, the measured CV dimension is considered relatively 'LOW' on the measured

dimension (Hofstede et al., 2010). Moreover, the Mean and Median together with simple graphics analysis form the basis of the CVD distribution analysis as prescribed in the table below.

Table 5.11: CVD Distributions of Saudi Shareholders

		INDIVIDUALISE	POWERDISTANCE	UNCERTAINTYAVOI	FEMININITY	LONGTERMORIE
		M	F	DANCEF		NTATIONF
N	Valid	73	70	69	73	73
	Missing	10	13	14	10	10
	Mean	51.2740	80.1143	79.8116	55.7945	30.1918
	Median	51.0000	80.0000	78.0000	54.0000	31.0000
	Mode	49.00	75.00 ^a	74.00	48.00	32.00 ^a
	Std. Deviation	6.34705	8.70206	8.88700	8.05357	3.66158
	Skewness	-.017	.436	.383	.335	-.709
	Std. Error of Skewness	.281	.287	.289	.281	.281
	Kurtosis	-.278	-.467	-.109	-.746	.211
	Std. Error of Kurtosis	.555	.566	.570	.555	.555

Source: The Author

Note: (For a full depiction of CVD Distribution of Saudi Shareholders via diagrams see Appendix C4)

❖ *Individualism:*

Respondents scored 49 on the *Individualism* dimension using the Mode. Hence, this score conveys a low level of *Individualism* which is also reflective of a tendency towards collectivism as also suggested by Hofstede's et al. (2010) score of 25 on this dimension.

Compared to Hofstede's et al., (2010) score on this dimension, the Saudi Culture scored 25 on the dimension of *Individualism*, which makes it more of a collective culture. However, in this study, by taking a closer look at the *Individualism* dimension and contextually applying the corresponding shareholder rights found in the OECD Principles to it, Saudi shareholders scored higher on this dimension than indicated by Hofstede et al., (2010). Perhaps, this is due to the economic consequences of being a shareholder, which requires some sort of *Individualism* in terms of buying, holding onto, or selling shares. Therefore, shareholders are driven to think in terms of "I" as opposed to thinking in terms of "We" (Hofstede et al., 2010) as indicated by the Mean score of 51.2.

❖ Power Distance

Respondents scored 75 on the *Power Distance Dimension* using the Mode, and scored 80.1 using the Mean. Hence, Saudi shareholders scored high on this dimension as the Saudi Culture is characterised by a high distance between more and less powerful individuals.

Compared to Hofstede's et al., (2010) score of 95 on *Power Distance*, there is not that much difference between Hofstede's score and the score of this study: 80.1 using the Mean.

Nevertheless, a further look at this dimension on the basis of shareholder's type will be of great significance as it will convey the level of *Power Distance* based on an individual's status, wealth and position as a shareholder. In addition, further analysis on shareholder type is capable of conveying how Saudi shareholders accept hierarchical orders, and their attitudes towards inequalities "in which everybody has a place and which needs no further justification" (Hofstede et al., 2010).

❖ Uncertainty Avoidance:

Respondents scored 74 on the *Uncertainty Avoidance* dimension using the Mode and 79.8 using the Mean. This score reflects the high level of *Uncertainty Avoidance* among Saudi Shareholders.

Compared to Hofstede's et al., (2010) score of 80 on this dimension, this study's score is almost identical using the Mean, 79.8.

Moreover, a high score on this dimension indicates a preference for "rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas. In these cultures there is "an emotional need for rules (even if the rules never seem to work)" (Hofstede et al., 2010). Hence, this dimension will be of great significant in further analysis as it is capable of explaining the amount of CG laws put in place in Saudi Arabia to avoid the unknown, as Security is a key element of shareholder motivation (Hofstede et al., 2010).

❖ Femininity:

Respondents scored 48 on the *Femininity* dimension using the Mode. Hence, this score indicates a low level of *Femininity* which is reflective of the masculine nature of Saudi shareholders as also suggested by Hofstede's et al. (2010) score of 60 on the *Masculinity* dimension.

Moreover, this dimension will be of a great significance in further analysis based on shareholder type as further analyses are capable of exposing how relatively masculine certain Saudi shareholders are compared to other shareholders. Hence, aspects of caring for other shareholders as indicated by the *Femininity* dimension are worth investigating, as a feminine society is one where quality of life is the sign of success, not the amount of money an individual has (Hofstede et al., 2010).

❖ Long Term Orientation:

Respondents scored 32 on the *Long Term Orientation* dimension using the Mode, and scored 30 using the Mean. Hence, both low scores reflect the *Short Term Orientation* of Saudi shareholders and their normative thinking (Hofstede et al., 2010). “People in such societies they are normative in their thinking. They exhibit great respect for traditions, a relatively small propensity to save for the future, and a focus on achieving quick results” (Hofstede et al., 2010).

Compared to Hofstede’s et al., (2010) score of 36 on this dimension, this study’s score of 32 using the Mode makes both results relatively close.

This dimension will be of a great significance in further analysis based on Saudi shareholder types as such analysis is capable of conveying how certain Saudi shareholders are more interested to achieve quick results and what they contribute to achieve such desires.

In summary, from the table presented below, it is clear that the data collected for this study and the statistical technique used produced relatively similar outputs to Hofstede’s et al., (2010) scores on CVD pertaining to the Saudi culture. Hence, dissecting Saudi shareholders’ CVD on a shareholder’s type basis seems to be a progressive step that is capable of strengthening the descriptive analysis phase. In addition, potential insights arising from this phase are deemed appropriate to aid the subsequent hypothesis-testing phase.

Table 5.12: CVD of Saudi Shareholders

	Individualism	Power Distance	Uncertainty Avoidance	Masculinity/ Femininity	Long Term Orientation
Hofstede	25	95	80	60	36
This study	49	75	74	48	32

Source: Hofstede et al., (2010) and the Author

2) The CVD Distribution of Shareholder Types

By taking a step further, and looking at how each shareholder type, namely: Majority, Sophisticated, Minority and Non-Shareholder scored on the CVD, new findings emerge regarding the Saudi sub-cultures that exist using the *Central Tendency Distribution technique*:

Table 5.13: CVD Distribution-Shareholder Type

SHARE HOLDER TYPE		INDIVIDUALISEM F	POWERDISTANC E	UNCERTAINTYA VOIDANCEF	FEMININITY	LONGTERMORIE NTATIONF
MAJORITY	Valid	16	16	16	16	15
	Missng	0	0	0	0	1

	Mean	47.6250	74.2500	72.8125	50.6875	27.2667
	Median	49.0000	74.0000	74.5000	50.0000	27.0000
	Mode	49.00	75.00	74.00 ^a	48.00	27.00
	Std. Deviation	5.48787	3.94124	6.76480	2.98259	2.65832
	Skewness	.337	.773	-.173	1.018	1.617
	Std. Error of Skewness	.564	.564	.564	.564	.580
	Kurtosis	.269	.059	-.627	-.315	4.893
	Std. Error of Kurtosis	1.091	1.091	1.091	1.091	1.121
SOPOSTICATED	N Valid	14	13	12	13	16
	Missing	3	4	5	4	1
	Mean	51.5714	79.6923	79.0000	53.3846	30.4375
	Median	52.0000	82.0000	78.5000	53.0000	30.5000
	Mode	51.00 ^a	69.00 ^a	72.00	53.00	28.00 ^a
	Std. Deviation	5.40248	7.80368	6.53661	5.48541	3.75888
	Skewness	-.343	-.705	.574	-.640	-1.217
	Std. Error of Skewness	.597	.616	.637	.616	.564
	Kurtosis	-1.400	-.452	-.547	2.803	3.007
	Std. Error of Kurtosis	1.154	1.191	1.232	1.191	1.091
MINORITY	N Valid	31	29	28	30	28
	Missing	4	6	7	5	7
	Mean	52.2903	82.0345	82.1071	58.2667	30.7500
	Median	53.0000	84.0000	82.0000	60.0000	32.0000
	Mode	52.00 ^a	80.00 ^a	82.00	53.00 ^a	32.00

	Std. Deviation	6.01772	8.97808	8.19367	9.02844	3.67801
	Skewness	-.624	-.195	.076	-.425	-1.565
	Std. Error of Skewness	.421	.434	.441	.427	.441
	Kurtosis	1.082	-.772	-.675	-.887	2.231
	Std. Error of Kurtosis	.821	.845	.858	.833	.858
NONSHAREHOLDERS	N Valid	12	12	13	14	14
	Missing	3	3	2	1	1
	Mean	53.1667	83.7500	84.2308	58.5714	31.9286
	Median	51.5000	79.5000	82.0000	56.5000	32.5000
	Mode	43.00 ^a	75.00	82.00 ^a	70.00	35.00
	Std. Deviation	7.94107	10.38465	10.03456	8.89005	2.89467
	Skewness	.307	.707	.682	.200	-.650
	Std. Error of Skewness	.637	.637	.616	.597	.597
	Kurtosis	-1.392	-1.273	-1.017	-1.575	-.460
	Std. Error of Kurtosis	1.232	1.232	1.191	1.154	1.154

Source: The Author

❖ *Individualism*

From the table, Minority shareholders scored higher on this dimension as compared to Majority and Sophisticated shareholders using the Mean and the Mode. The Mean of Minority shareholders on this dimension is 52.2, Sophisticated 51.5 and Majority 47.6. The Mode of Minority is 52, Sophisticated 51, and Majority 49.

❖ *Power Distance*

From the table, Minority shareholders scored higher on this dimension as compared to Majority and Sophisticated shareholders using the Mean and the Mode. The Mean of Minority shareholder on this

dimension is 82, Sophisticated 79.6 and Majority 74.2. The Mode of Minority is 80, Sophisticated 69, and Majority 75

❖ *Uncertainty avoidance*

From the table, Minority shareholders scored higher on this dimension as compared to Majority and Sophisticated shareholders using the Mean and the Mode. The Mean of Minority shareholder on this dimension is 82.1, Sophisticated 79 and Majority 72.8. The Mode of Minority is 82, Sophisticated 72, and Majority 74.

❖ *Femininity*

From the table, Minority shareholders scored higher on this dimension as compared to Majority and Sophisticated shareholders using the Mean. The Mean of Minority shareholder on this dimension is 58.2, Sophisticated 53.3 and Majority 50.6. The Mode of Minority is 53, Sophisticated 53, and Majority 48

❖ *Long Term Orientation*

From the table, Minority shareholders scored higher on this dimension as compared to Majority and Sophisticated shareholders using the Mean and the Mode. The Mean of Minority shareholder on this Dimension is 30.7, Sophisticated 30.4 and Majority 27.2. The Mode of Minority is 32, Sophisticated 28, and Majority 27.

Taking all the above findings into consideration, marginal differences in the distribution of the CV Dimension framework regarding each shareholder type are captured. However, it is too early for these new findings to form any conclusion as reliance on the descriptive statistics is meant to underline the basic features of the data. Therefore, no such assumption is made at this stage of the analysis.

Summary of Descriptive Statistics Findings:

A. Reliability Test:

In this study, the reliability of the questionnaire was evaluated by calculating the Cronbach's alpha scores for all the variables. The higher the Alpha, the more reliable the test is. Generally, there is no agreed cut-off point. Nevertheless, Nunnally (1978), and Field (2005) argue that 0.7 and above is acceptable. Hence, for this study, Cronbach's alpha is 86% and the Cronbach's alpha based on standardised items is 86%. Both scores are identical, which is a positive sign, and both provide assurances of internally consistent reliable variables.

B. Validity Test:

The Pattern Matrix confirms the convergent validity of all the constructs by showing that all of the item loadings making up the 11 factors of the questionnaire were significant and well above the

acceptable cut-off-point of .40. In addition, all 33 items from the questionnaire were subjected to the factor analysis testing using the principal component analysis (PCA). The PCA test suggests that all of 33 items representing the 11 factors of CG principles drawn from the OECD (2004) were valid and hence retained. Therefore, the questionnaire is justified to be suitable for structure detection.

C. Descriptive statistics:

The Descriptive statistics provide simple summaries about all demographic characteristics and shareholder type specific-demographic characteristics. In addition, the descriptive statistics provide simple summaries about the overall depiction of the distribution of CVD pertaining to Saudi shareholders in comparison to Hofstede's et al., (2010) findings:

Table 5.12: CVD of Saudi shareholders

	Individualism	Power Distance	Uncertainty Avoidance	Masculinity/Femininity	Long Term Orientation
Hofstede	25	95	80	60	36
This study	49	75	74	48	32

Source: Hofstede et al., (2010) and the Author

Moreover, the data collected for this study and the statistical techniques used produced relatively similar outputs to Hofstede's et al. (2010) scores on CVD pertaining to the Saudi culture. Hence, assignment of Hofstede's et al. (2010) CVD to the OECD principles of CG pertaining to minority shareholders was capable of measuring Saudi shareholders CVD via the questionnaires.

In addition, dissecting Saudi shareholders' CVD on a shareholder type basis is a progressive step that strengthens the descriptive analysis phase and provides potential insights deemed appropriate to aid the subsequent hypothesis-testing phase. For instance, the marginal differences in the distribution of the CV Dimensions regarding each Saudi shareholder type will assist the hypothesis-testing phase in the general picture they depict and where anomalies are to be expected. However, it is too early for these new findings to form a conclusion as reliance on the descriptive statistics is meant to underline the basic features of the data. Therefore, no such assumption is made at this stage of the analysis.

5.5.4 Hypotheses Testing

Part 1: Non-Parametric Tests for Several Independent Samples:

The first objective of this research study was to explore the extent that available cultural models (for example Hofstede, 2010) explain the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia?

To achieve this, a set of hypotheses, generated by the SPSS and motivated by the relevant literature review (see Appendices B1, B2 & B3) will be discussed in this section. Therefore, *Kruskal-Wallis* and

Mann-Whitney tests are used to establish whether the distribution of CV Dimensions differs across shareholder types.

A. *Kruskal-Wallis Test:*

The *Kruskal-Wallis* test was used to compare all four independent samples of Saudi shareholder type at once on each of the CVD framework elements. The results indicated rejections of all null hypotheses that the distribution of CVD framework is the same across categories of shareholder type, except for *Individualism*.

Table 5.14: Hypothesis Test Summary

	Null Hypothesis	Test	Sig	Decision
1	The distribution of Individualism is the Same across categories of Share Holder Type	Independent Samples Kruskal-Wallis Test	.052	Retain the Null Hypothesis
2	The distribution of Power Distance is the Same across categories of Share Holder Type	Independent Samples Kruskal-Wallis Test	.010	Reject the Null Hypothesis
3	The distribution of Uncertainty Avoidance is the Same across categories of Share Holder Type	Independent Samples Kruskal-Wallis Test	.005	Reject the Null Hypothesis
4	The distribution of Femininity is the Same across categories of Share Holder Type	Independent Samples Kruskal-Wallis Test	.009	Reject the Null Hypothesis
5	The distribution of Long Term Orientation is the Same across categories of Share Holder Type	Independent Samples Kruskal-Wallis Test	.001	Reject the Null Hypothesis

Source: The Author

In addition, the most interesting findings of the Mean rank of the *Kruskal-Wallis* test on CV Dimensions across all categories of Saudi shareholders' type are as follow:

- *Kruskal-Wallis* test shows Minority score 71% higher on *Individualism* as compared to Majority shareholders. Hence, the Mean rank of the *Individualism* dimension captures the anomalies of the *Individualism* distribution across categories of shareholder type even though the null hypothesis, in the table above, was rejected on a relatively high significance level at .052.
- *Kruskal-Wallis* test shows Minority score 95% higher on *Power distance* and 100% higher on *Uncertainty Avoidance* as compared to Majority shareholders.
- *Kruskal-Wallis* test shows Minority shareholders score 90% higher on *Femininity* as compared to Majority shareholders.

- *Kruskal-Wallis* test shows Minority shareholders score 129% higher on *Long-Term Orientation* as compared to Majority.

Table 5.15: Mean Ranks of Kruskal-Wallis Test

	SHARE HOLDER TYPE	N	Mean Rank
INDIVIDUALISEMF	MAJORITY	16	24.09
	SOPHISTICATED	14	38.96
	MINORITY	31	41.21
	NON-SHAREHOLDERS	12	41.04
	Total	73	
POWERDISTANCEF	MAJORITY	16	20.78
	SOPHISTICATED	13	36.42
	MINORITY	29	40.64
	NON-SHAREHOLDERS	12	41.71
	Total	70	
UNCERTAINTYAVOIDANCEF	MAJORITY	16	20.28
	SOPHISTICATED	12	32.92
	MINORITY	28	40.73
	NON-SHAREHOLDERS	13	42.69
	Total	69	
FEMININITYF	MAJORITY	16	22.69
	SOPHISTICATED	13	33.35
	MINORITY	30	43.17
	NON-SHAREHOLDERS	14	43.54
	Total	73	
LONGTERMORIENTATIONF	MAJORITY	15	17.97
	SOPHISTICATED	16	38.75
	MINORITY	28	41.18
	NON-SHAREHOLDERS	14	47.04
	Total	73	

Source: The Author

Table 5.16: Kruskal-Wallis level of Significance

	INDIVIDUALISEMF	POWERDISTANCE F	UNCERTAINTYAV OIDANCEF	FEMININITYF	LONGTERMORIEN TATIONF
Chi-Square	7.721	11.388	12.978	11.614	16.569
Df	3	3	3	3	3
Asymp. Sig.	.052	.010	.005	.009	.001

Source: The Author

B. Mann-Whitney Test:

Mann-Whitney test was used to compare the level of CVD elements across a paired category of shareholder types. Results indicate no significance between comparisons of paired groups except between Minority and Majority shareholder types. (See Appendix C8 for all tables)

Table 5.17: Mean Ranks of Mann-Whitney Test

	SHARE HOLDER TYPE	N	Mean Rank	Sum of Ranks
INDIVIDUALISEMF	MAJORITY	16	16.50	264.00
	MINORITY	31	27.87	864.00
	Total	47		
POWERDISTANCEF	MAJORITY	16	15.03	240.50
	MINORITY	29	27.40	794.50
	Total	45		
UNCERTAINTYAVOIDANCEF	MAJORITY	16	13.94	223.00
	MINORITY	28	27.39	767.00
	Total	44		
FEMININITYF	MAJORITY	16	15.84	253.50
	MINORITY	30	27.58	827.50
	Total	46		
LONGTERMORIENTATIONF	MAJORITY	15	13.67	205.00
	MINORITY	28	26.46	741.00
	Total	43		

Source: The Author

Moreover, the most interesting findings of the *Mann-Whitney* test using the Mean Rank are as follow:

- *Mann-Whitney* test shows Minority shareholders score 68% higher on *Individualism* compared to Majority.
- *Mann-Whitney* test shows Minority shareholders score 82% higher on *Power Distance* and 96% higher on *Uncertainty avoidance* compared to Majority shareholders.
- *Mann-Whitney* test shows Minority shareholders score 74% higher on *Femininity* compared to Majority.

- **Mann-Whitney** test shows Minority shareholders score 93% higher on *Long Term Orientation* compared to Majority.

Table 5.18: Mann-Whitney Test level of Significance

	INDIVIDUALIS EMF	POWERDISTA NCEF	UNCERTAINTY AVOIDANCEF	FEMININITYF	LONGTERMO RIENTATIONF
Mann-Whitney U	128.000	104.500	87.000	117.500	85.000
Wilcoxon W	264.000	240.500	223.000	253.500	205.000
Z	-2.701	-3.028	-3.348	-2.834	-3.211
Asymp. Sig. (2-tailed)	.007	.002	.001	.005	.001
Exact Sig. (2-tailed)	.006	.002	.001	.004	.001
Exact Sig. (1-tailed)	.003	.001	.000	.002	.000
Point Probability	.000	.000	.000	.000	.000

Source: The Author

a. Grouping Variable: SHARE HOLDER TYPE

Interpretation of Kruskal-Wallis and Mann-Whitney Results:

Based on the independent samples of shareholder types, the following assumption holds true:

1. The quality of the exercise of minority shareholders' rights, as defined by the OECD, is affected by the level of CVD for each shareholder type.

The CVD of Minority was 95% higher on *Power Distance* and is 100% higher on *Uncertainty Avoidance* as compared to Majority shareholders' CVD, as indicated by the **Kruskal-Wallis** test. In confirmation, the **Mann-Whitney** test conveys that Minority shareholders were 82% higher on *Power Distance* and 96% higher on *Uncertainty avoidance*. These results are possibly due to the level of awareness and power to exercise these rights by the type of Saudi shareholders as indicated by the analyses of the demographic section of the questionnaires (see Appendix C3).

For example, the analyses of the demographic section of the questionnaires show that 75% of Majority shareholders were aware of 70-80 % of OECD principles of shareholder's rights and the other 15% were aware of 90-100% of these rights. On the other hand, 63 % of Minority shareholders were aware of less than 10 % of these rights and the other 37% were aware of 20-30 % of these rights.

In addition, Minority shareholders scored 90% higher on *Femininity* as compared to Majority shareholders, as indicated by the **Kruskal-Wallis** test. In confirmation, the **Mann-Whitney** test shows

that Minority scored 74% higher on *Femininity* compared to Majority. Hence, Saudi Majority shareholders are two times more masculine than Minority and are driven by competition, achievement and success (Hofstede et al., 2010). Therefore, Majority shareholders' concern for Minority and their quality of life is expected to be minimal, especially when they are in the position to run corporations on a day to day basis, control the agenda of AGMs and the amount of information attached to shares and their rights.

Regarding *Long-Term Orientation*, Minority scored 129% higher on this dimension as compared to Majority, as indicated by *Kruskal-Wallis*. In confirmation, the *Mann Whiteny* test shows that Minority scored 93% higher on this dimension. Hence, the higher score of Minority shareholders on LTO implies their pragmatic approach towards their investments and represents their higher orientation towards future dividends and their higher willingness to wait longer for dividends as compared to other Saudi shareholder groups. In addition, the distribution of *Individualism* was found the same across all categories of shareholder types, as indicated by the *Kruskal-Wallis* hypothesis test. However, the Mean rank of the *Kruskal-Wallis* and *Mann-Whiteny* tests show that Minority shareholders scored 71% and 68% higher on *Individualism* compared to Majority shareholders respectively, as had been slightly indicated by the descriptive statistics: the Mean of Minority shareholders on this dimension is 52.2, Sophisticated 51.5, and Majority 47.6.

Part 2: Non-Parametric Tests for Categorical Variables

A. Chi-Square Test

The Chi-Square Test was found not suitable with the data, after thorough testing, as the expected frequency in most cases was found less than 5, which invalidates a major pre-test assumption for the Chi-Square test. Therefore, other tests such as the Yates' correction for small frequencies and Fisher Exact tests were considered. The researcher opted for the Fisher Exact test as it offers a resolution for the Chi-Square's invalidated assumptions of expected frequency of no less than 5 (Field, 2005).

B. Fisher's Exact Test

The significant relationships found between 'Categorical Variables' using Fisher's Exact are as follow:

1) CVD In Relation to Demographics:

Table 5.19: CVD in Relation to Demographics

CVD	Null Hypothesis	Between	Decision
<i>Individualism</i>	There is no significant relationship between:	Individualism & Information awareness	Reject The Null Hypothesis
<i>Power Distance</i>	There is no significant relationship between	Power Distance & Information Awareness,	Reject The Null Hypothesis
	There is no significant relationship between	Power Distance & Age	Reject The Null Hypothesis

<i>Uncertainty Avoidance</i>	There is no significant relationship between	Uncertainty Avoidance & Information Awareness	Reject The Null Hypothesis
	There is no significant relationship between	Uncertainty Avoidance & Length of Shareholding	Reject The Null Hypothesis
	There is no significant relationship between:	Uncertainty Avoidance & Age	Reject The Null Hypothesis
	There is no significant relationship between	Uncertainty Avoidance & Gender	Reject The Null Hypothesis
<i>Femininity</i>	There is no significant relationship between	Femininity & Information Awareness,	Reject The Null Hypothesis
	There is no significant relationship between	Femininity & Gender	Reject The Null Hypothesis
<i>LongTerm Orientation</i>	There is no significant relationship between	Long Term Orientation & Education Level	Reject The Null Hypothesis
	There is no significant relationship between	Long Term Orientation & Religion	Reject The Null Hypothesis

Source: The Author

2) CVD in Relation to Shareholder Type:

Table 5.20: CVD in Relations to ShareholderType

CVD	Null Hypothesis	Between	Decision
<i>Femininity</i>	There is no significant relationship between:	Femininity & Shareholder type	Reject The Null Hypothesis
<i>LongTerm Orientation</i>	There is no significant relationship between	Long Term Orientation & Shareholder Type	Reject The Null Hypothesis

Source: The Author

5.6 Quantitative Analysis Discussion:

- 1- To what extent do available cultural models (for example Hofstede, 2010) explain the quality of the exercise of minority shareholder rights, as defined by the OECD, in Saudi Arabia?

In order to answer the above research questions: The following hypotheses are developed:

5.6.1 Hypothesis Development:

1) *Individualism (IND)*:

The norm of shareholder wealth maximisation stems from the CVD of *Individualism* found in Hofstede (Licht, 2001). Moreover, the *Individualism* dimension focuses on equality and independence of individuals, whereas *Collectivism* (COL) is the opposite as it shifts the focus onto a group's interest. Hence, the norm in individualistic countries is more of an “*egalitarian*” nature (Trompenaars & Hampden-Turner, 1998; Hofstede, 2001).

Therefore, listed corporations in individualistic countries tend to give “equal priority to protecting inside and outside investors...by providing more transparency to the public and enhancing minority shareholders' voting rights” (Griffin, Guedhami, Kwok, Li & Shao et al., 2014). On the other hand, listed corporations in collectivist countries are more concerned with giving priority to “maintaining the

interests of inside investors (i.e., large shareholders and major creditors)” (Griffin et al., 2014). Hence, *Individualism* promotes transparency of information and discourages information asymmetry benefiting insider investors such as large shareholders and creditors.

Moreover, individuals in countries scoring high on *Individualism* strive for their fair treatment by corporations because highly individualistic societies prefer reward allocations based on equity and the same rights for all (Armstrong, 1996; Chan & Cheung, 2008, 2012; Hofstede, 2005).

In addition, this link between individualism and transparency and its effect on Minority shareholders is well documented. Recent research has shown *Individualism* to be positively correlated with risk taking (Li, Griffin, Yue & Zhao, 2013; Shao, Kwok & Zhang, 2013). Hence, high risk taking calls for a high level of information asymmetry between managers and outside investors such as Minority shareholders. Therefore, in highly individualistic countries, there is “a greater need for transparency and protection of outside investors’ rights” (Griffin et al., 2014).

Similarly, disclosure is also expected to be high in individualistic countries as *Individualism* calls for reducing the agency conflict faced by outside investors. As a consequence, the level of information asymmetry between managers and outside investors is expected to be high (Griffin et al., 2014). In fact, stakeholders in countries where *Individualism* is strong are more likely to punish firms for bad behaviours than those in countries where *Collectivism* is higher (Williams & Zinkin, 2008).

Unlike in individualistic countries, agency issues between stakeholders are severe in collectivist cultures (Zhang, Liang & Sun, 2013). Listed corporations in collectivist countries rely more on in-group relationships. Hence, there is a higher level of information sharing within groups of insider investors such as large shareholders and creditors. Therefore, a lower CG rating on transparency and disclosure is expected and their overall effects are transformed into a lower level of Minority shareholder protection (Griffin et al., 2014).

Based on the previous studies, the following hypothesis is developed:

1. Hypothesis 1: the quality of the exercise of minority shareholders’ rights, as defined by the OECD principles of CG, is low in high COL Cultures such as the Saudi

Using variables of disclosure and transparency comprising the Minority shareholders’ protection Index constructed for this study, Saudi shareholders scored 49 on the *Individualism* dimension using the Mode. This low score is reflective of the high level of *Collectivism* of Saudi shareholders as also suggested by Hofstede’s et al., (2010) score of 25 on this dimension. This finding is confirmatory of Hofstede’s score of 25 on this dimension. However, the difference in the score between Hofstede’s et

al. (2010) findings and this study's is might be due to the different techniques used to reach both scores or rather due to the specific scope of this study compared to the general capturing of a society's variable employed by Hofstede et al., (2010). Moreover, it should also be noted that the reason this study is more focused on the level of *Individualism* of Saudi shareholders, as opposed to the level of *Collectivism*, is due to its direct corresponding effect on the quality of compliance with OECD principles of CG pertaining to Minority shareholder rights (see Appendix B10).

Regardless, what can be inferred from the *Individualism* score of this study is that the expected level of transparency and disclosure in Saudi Arabia is low. In fact, most Saudi listed corporations comply with the minimum mandatory requirements of disclosure, while assigning less significance to voluntary disclosure (Al-Saeed, 2006). In addition, the quality of reporting in Saudi Arabia is at a very low level with an average score of 36% regarding mandatory disclosure, and an average score of 32% regarding voluntary disclosure (Al-Janadi, Rahman & Omar, 2012).

Moreover, there was a slight difference in the level of *Individualism* among Saudi shareholder groups using the scores derived from the descriptive statistics: The Mean of Saudi Minority shareholders on this dimension was 52.2, Sophisticated 51.5 and Majority 47.6. The Mode of Minority shareholders was 52, Sophisticated 51, and Majority 49. However, the non-parametric test of *Kruskal-Wallis* and *Mann-Whitney* show that Saudi Minority shareholders scored 71% and 68% higher on *Individualism* compared to Majority shareholders respectively. This result implies a high level of information asymmetry between managers and insider investors (such as Majority shareholders) at the expense of Minority shareholders. It also implies the need for a greater amount of transparency and disclosure to establish a better reward allocation system based on equity, equal rights and protection for all stakeholders. Therefore, the higher level of *Individualism* scored by minority shareholders gives a clear indication of the need to establish fair treatment for all shareholders, which translates into a better level of transparency and disclosure in Saudi Arabia.

Furthermore, in the qualitative section of the questionnaire, when minority shareholders were asked how their transparency and disclosure rights, as prescribed by the OECD principles presented to them in the questionnaires, relate to their own practical experiences, only 5 out of 35 Minority shareholders answered as follow:

1- Form 52:

A- The relationship between the shareholders and the corporations is very mysteriously ambiguous:

2- Form: 48

A- The percentage of transparency is zero. Hence, transparency measures are put in place to serve majorities

3- Form 45:

A- None: even if any exist, it is only nominal and serves an advertising purpose.

4- Form 43:

A- It has not been clarified to me.

5- Form 41:

A- There is no such relationship.

In addition, some correlations were highly significant through the Fisher hypothesis test. This shows a significant correlation between *Individualism* as a dimension and information awareness. Undoubtedly, the amount of information provided through transparent and extensive disclosure aids shareholders in making informed decisions regarding their investments. Hence, their high level of risk taking will be better rewarded accordingly in terms of equity.

Moreover, the amount of information provided through transparent and extensive disclosure promotes and enhances *Individualism* in discouraging information asymmetry, which benefits insider investors such as large shareholders and creditors. This finding is confirmed by Griffin et al. (2014), who asserts “assuming a causal relation, a one standard deviation increase in individualism increases the accountability and transparent disclosure index by 0.311 standard deviations”.

Therefore, the underlining reasons behind the low level of disclosure and transparency and high level of information asymmetry between managers and majority shareholders, as highlighted by the *Individualism* dimension, is worthy of further investigations in the qualitative phase of this research. As advised by the relevant literature review conducted, this research will aid in unfolding whether or not the low level of compliance by listed Saudi corporations stems from legal, political or economic factors in Saudi Arabia.

Overall, support for **Hypothesis 1**, the quality of the exercise of Minority shareholders’ rights, as defined by the OECD principles of CG, is low in high COL cultures such as the Saudi is found. Moreover, support for Hypothesis 1 was established via the descriptive statistics and the Mean ranks of the *Kruskal-Wallis and Mann-Whitney* tests. In addition, findings of both performed tests had previously been indicated and supported by the relevant literature.

2) Uncertainty Avoidance (UA):

The *Uncertainty Avoidance* dimension captures a society’s level of intolerance for ambiguity and unclear situations (Hofstede, 2005). Hence, high *Uncertainty Avoidance* cultures tend to mitigate stress and anxieties caused by ambiguity by looking for conditions of security such as excessive amount of rules (Hofstede, 2001).

In addition, people in high *Uncertainty Avoidance* cultures are highly compliant with formal rules, as found by Vitell, Nwachukwu & Barnes (1993); Husted (2000) and Weaver (2001). However, those same people do not recognise the ethical dilemma in business decisions when no formal rules exist

(Scheepers, 2006). Moreover, those same people value ethical values set by themselves within a group and find it hard to respect or comply with ethical guidelines set by outside members (Scheepers, 2006). As a result, CG rules set by international accounting bodies such as the OECD to serve all stakeholders are found to score low on compliance in countries with a high level of *Uncertainty Avoidance*.

In addition, the information asymmetry affecting the level of transparency and disclosure, as it does under the *Individualism* dimension, is also severe under the *Uncertainty Avoidance* dimension. In fact, high *Uncertainty Avoidance* countries tend to reduce the need for transparent disclosure as effective information is systematically meant to be shared among corporate insiders (Griffin et al., 2014). As a consequence, this tendency shapes a preference for debt over equity capital structures and financing (Licht, 2001) and controlling shareholders devise concentration of equity ownership as a mechanism to protect themselves against ambiguities (Aguilera, Castro & Cladera, 2011). Moreover, in these high *Uncertainty Avoidance* countries, bank-based over stock market-based financial systems are more common as a mechanism to monitor CG (Kwok & Tadesse, 2006).

Moreover, the nature of compensation schemes used in high *Uncertainty Avoidance* countries differs from the once used in low *Uncertainty Avoidance* countries. For example, compensation based on performance is common in low *Uncertainty Avoidance* cultures and less common in high *Uncertainty Avoidance* cultures due to a preference for clarity and security (Griffin et al., 2014). In fact, international corporations in high *Uncertainty Avoidance* countries are found to offer more certainty in their compensation schemes through seniority- or skill-based compensation, whereas compensation based on performance was found a better fit in low *Uncertainty Avoidance* cultures accompanied with a high level of *Individualism* (Schuler & Rogovsky, 1998).

Hence, based on all previous studies, the following hypothesis is developed:

Hypothesis 2: the quality of the exercise of minority shareholders' rights, as defined by the OECD principles of CG, is low in high UA Cultures such as the Saudi

Using variables of disclosure, transparency, and compensation schemes composing the minority shareholder's protection Index constructed for this study, Saudi shareholders scored 74 on the *Uncertainty Avoidance* dimension using the Mode. This score reflects the high level of *Uncertainty Avoidance* among Saudi Shareholders. Compared to Hofstede's et al. (2010) score of 80 on this dimension, this study's score is almost identical using the Mean, 79.8.

Moreover, a high score on this dimension, as the case in Saudi Arabia, indicates a preference for "rigid codes of belief and behaviour" and shows a high level of intolerance regarding "unorthodox behaviour and ideas" (Hofstede et al., 2010). The logic behind such observation stems from an emotional need for

rules (even if the rules never seem to work) (Hofstede et al., 2010). Hence, security is a key element of shareholder motivation in countries scoring high on *Uncertainty Avoidance*. This is clearly seen in the amount of rules guiding the accounting profession in Saudi Arabia, as discussed in chapter 2, such as SCC, SMCI, SOCPA, SHEC, and OECD. Nevertheless, when there is such a CG conflict to be resolved in a Saudi court of law, such case will be judged on Islamic principles instead. Therefore, this indicates the excessive amount of laws found in countries scoring high on *Uncertainty Avoidance*, as advised by the relevant literature review, which is worthy of further investigation in the qualitative phase to find out whether such excess stems from the legal or political environments in Saudi Arabia.

Moreover, Saudi Minority shareholders scored higher on the *Uncertainty Avoidance* dimension as compared to Majority and Sophisticated shareholders using the Mean and the Mode. The Mean of Minority shareholder on this Dimension was 82.1, Sophisticated 79 and Majority 72.8. The Mode of Minority was 82, Sophisticated 72, and Majority 74. Still, the descriptive statistics slightly indicate differences in the orientation of *Uncertainty Avoidance* across the spectrum of Saudi shareholder types. However, the non-parametric tests of *Mann-Whitney* and *Kruskal-Wallis* show that Saudi Minorities scored 96% and 100% higher on *Uncertainty Avoidance* as compared to Majority shareholders. This result shows a high level of uncertainty among Minority shareholders compared to Majority shareholders in Saudi Arabia. Similar to the *Individualism* dimension, this result implies a high level of information asymmetry between managers and insider investors, Majority shareholders, at the expense of Minority shareholders. This was documented in an answer by a Sophisticated shareholder via the qualitative section of the questionnaire:

1- Form: 23

- A- Some listed corporations don't comply with transparency enough. There is a need to clarify and be transparent with all shareholders, majority or minority. There is a need for transparency, clarity and disclosure regarding all aspects pertaining to listed corporations to all shareholders.

In addition, the agency problem between managers and outside shareholders is expected to be severe, as indicated by the *Uncertainty Avoidance* dimension, given that Saudi corporations are highly leveraged via bank debt (Osman & Mohammed, 2010). Moreover, in these high *Uncertainty Avoidance* countries, bank-based over stock market-based financial systems are more common as a mechanism to monitor CG (Kwok & Tadesse, 2006). Hence, this finding implies the reliance of Saudi corporations on debt financing over equity financing, which explains the low level of disclosure required of them to outside investors such as Minority shareholders as they might be perceived to be insignificant and less worthy of owing a duty to by managers. In turn, Minority shareholders attach lower significance to requesting information directly from listed corporations as compared to other groups such as creditors, who highly

value direct information from corporations due to their premium position to acquire information directly (Al-Razeen & Karbhari, 2004).

Moreover, the high level of *Uncertainty Avoidance* found among Saudi shareholders also implies that the need for greater amount of transparency and disclosure would not necessarily solve the problem, as high *Uncertainty Avoidance* culture have an obsession with legislating new measures of security: "Uncertainty avoiding countries will have a greater need for legislation than less-Uncertainty Avoiding countries" (Hofstede, 2005). Therefore, any increase in the amount of disclosure in a high *Uncertainty Avoidance* country should be accompanied with a high level of compliance and monitoring to ensure that formal rules put in place to serve all stakeholders are complied with.

In addition, the result of the high level of *Uncertainty Avoidance* among Saudi shareholders also implies that the compensation scheme employed by listed Saudi corporations is not highly driven by performance (Al-Twajjry, Brierley & Gwilliam, 2003). Moreover, most listed Saudi Corporations do not provide information regarding their directors' qualifications, skills, training or number of shares owned, which is why SCMA should improve on the requirements directors have to possess before taking charge (Al-Janadi et al., 2012).

Moreover, the Fisher hypothesis test shows a significant correlation between *Uncertainty Avoidance* and Information Awareness. Speculatively, the amount of information provided through transparent and extensive disclosure reduces ambiguity. In turn, it reduces the level of uncertainty among Minority shareholders as they are provided with the appropriate level of information to make informed decisions. Hence, such appropriate disclosure and transparency practice accompanied with the right level of compliance would aid in discouraging the kind of information asymmetry that benefits insider investors such as large shareholders and creditors. This result is confirmed by Griffin et al. (2014): "assuming a causal relation; a one standard deviation increase in uncertainty avoidance decreases the accountability and transparent disclosure index by 0.298 standard deviations".

In addition, the descriptive statistics confirm the above causation as they show that 63 % of Minority shareholders were aware of less than 10 % of their rights and the other 37% were aware of 20-30 % of their rights. Hence, their *Uncertainty Avoidance* level was 96% higher as compared to Majority shareholders, indicated by the *Mann-Whitney* test. On the other hand, 75% of Majority shareholders were aware of 70-80 % of OECD principles of shareholder's rights and the other 15% were aware of 90-100% of these rights, which explains their overall lower level of *Uncertainty Avoidances* compared to Minority, as shown by the *Mann-Whitney* test.

Moreover, the causation between *Uncertainty Avoidance* and the strength of Minority shareholder protection is justified. The overall distribution of *Uncertainty Avoidance* was not the same across all categories of Saudi shareholder types, as the *Kruskal-Wallis* test indicates. This finding is consistent with the findings of Griffin et al. (2014), who observed that “assuming a causal relation, a one standard deviation increase in uncertainty avoidance reduces the minority shareholder protection index by 0.332 standard deviations”. Moreover, “low *Uncertainty Avoidance* cultures are associated with greater level of minority shareholders’ protection (Lubetsky, 2008). Hence, people in low *Uncertainty Avoidance* cultures are more encouraged to speak about poor governance practices and, in turn, corporations are “more accustomed to handling such diversity, conflict, and feedback from shareholders” (Sweeney, 2008).

In addition, the dimension of *Uncertainty Avoidance* is found to have a significant relationship with the ownership concentration in previous research. The logic behind the association is that when *Uncertainty Avoidance* is high in such cultures, large shareholders are less willing to take risks. Hence, they devise a concentration of equity ownership as a mechanism to protect themselves against ambiguities (Aguilera, Castro & Cladera, 2011).

Issues of compliance and disclosure with CG principles in listed Saudi companies partially stem from a highly concentrated ownership structure within the country. Moreover, the determinants promoting or influencing that ownership structure are not clear: families own 75% of listed companies, while government and individual founders own just 25% of listed companies (Al-Zuhair, 2008).

Overall, support for **Hypothesis 2**, the quality of the exercise of Minority shareholders’ rights, as defined by the OECD principles of CG, is low in high UA Cultures such as the Saudi, is found via the descriptive, and hypothesis tests as indicated and supported by the relevant literature.

3) *Power Distance (PDI)*:

The dimension of *Power Distance* is a measure of accepting hierarchy or power distribution within a society (Griffin et al., 2014). Hence, in high *Power Distance* countries, when power is unequally distributed in such society, the less powerful will be more culturally driven to accept their existent reality of powerful people reaping the benefits of control (Hofstede, 1984). On the other hand, people from Low *Power Distance* countries tend to have more control over their dealings. Hence, authorities in these countries are culturally obliged to hear and accept their citizens’ opinions (Chan & Cheung, 2012).

Moreover, the implications of the *Power Distance* dimension on CG should be looked at in terms of protecting interests of all stakeholders. For instance, individuals in high *Power Distance* countries are

“usually powerful and wealthy, and consider their own interests to be more important than those of other stakeholders” (Blodgett, Lu, Rose & Vitell, 2001). On the other hand, individuals from low *Power Distance* countries are more inclined to make decisions guaranteeing the fair treatment of all stakeholders since power is more equally distributed (Chan & Cheung, 2012). As a result, those individuals in low *Power Distance* countries act in accordance with their beliefs and produce more ethically appropriate behaviours (Hofstede, 2005). In fact, shareholders in Low *Power Distance* countries are culturally equipped to apply more pressure on corporations to improve accountability, openness, and ultimately governance (Sweeney, 2008). Therefore, “high power distance societies are less likely to protect minority shareholders and to justify their corporate actions through defining explicit corporate standards” (Griffin et al., 2014).

In addition, people from cultures with a high level of *Power Distance* convey less trust in listed corporations’ owners and their appointments of managers. Therefore, in these high *Power Distance* cultures, listed corporations’ owners are less likely to develop “the separation of shareholding and management... corporate owners in countries where PD is high show greater desire to maintain personal control over a firm and ensure that it remains within their families” (Lubetsky, 2008).

Based on previous studies, the following hypothesis is developed:

Hypothesis 3: the quality of the exercise of minority shareholders’ rights, as defined by the OECD principles of CG, is low in high PDI Cultures such as Saudi

Using variables of basic shareholders rights composing the Minority shareholder protection Index constructed for this study, the Saudi shareholders scored 75 on the *Power Distance* dimension using the Mode, which makes the Saudi shareholders high on this dimension. This finding is confirmatory of Hofstede’s et al. (2010) score of 95 on the scale of *Power Distance*. Compared to Hofstede’s et al. (2010) score of 95 on *Power Distance*, there is not that much difference between Hofstede’s score and the score of this study: 80.1 using the Mean.

Moreover, what can be inferred from the *Power Distance* score of this study is that the expected level of Minority shareholder protection in Saudi Arabia is low. In fact, Saudi managers’ perceptions of the OECD governance principles have previously been found not favourable to issues concerning shareholder rights, the treatment of shareholders, and financial disclosure (Robertson, Diyab, Al-Kahtani, 2013).

In addition, a further look at this dimension on the basis of shareholder types will be of a great significance in viewing the level of *Power Distance* based on an individual’s status, wealth and position as a shareholder. It will clearly show how Saudi shareholders accept hierarchical orders, and

their attitudes towards inequalities (Hofstede et al., 2010). Based on the descriptive statistics conducted, Saudi Minority shareholders scored higher on this dimension as compared to Majority and Sophisticated shareholders using the Mean and the Mode. The Mean of Minority shareholder on this Dimension was 82, Sophisticated 79.6 and Majority 74.2. The Mode of Minority was 80, Sophisticated 69, and Majority 75.

Even though there was a slight difference in the level of *Power Distance* found in each Saudi shareholder group using the scores derived from the descriptive statistics, the non-parametric test of *Kruskal-Wallis* and *Mann-Whitney* show that Minority shareholders scored 95% and 82% higher on *Power Distance* compared to Majority. This result implies the following:

- 1- A low level of participation by minority shareholders in listed corporations' in the activities they are entitled to by CG procedures, such as: participation in AGM, election and removal of members of the board, approval of remuneration policy and compensation schemes...etc.
- 2- The inability of Minority shareholders due to their higher level of *Power Distance* compared to Majority, to challenge resolutions benefiting controlling shareholders.
- 3- A low level of compliance by listed Saudi corporations with basic Minority shareholder rights prescribed in the OECD principles of CG.

For example, in the qualitative section of the questionnaire, when Minority shareholders were asked to rate how their practical experiences related to their rights as prescribed by the OECD principles, and how many of these rights they had exercised, 5 out of 35 Minorities answered as follow:

6- Form 52:

B- Regarding the relation between the rights of shareholders and my experience: there is no such thing.

7- Form: 48

B- There are no rights you can rely on

8- Form 45:

B- No rights. None: even if any exist they are only nominal and serve an advertising purpose.

9- Form 43:

B- I don't know about these rights

10- Form 41:

B- There is no such relationship between shareholders rights and my experience as a shareholder by any measure. In fact, shareholders have none of these rights in reality. Therefore, these rights have to be activated appropriately, and have to be disclosed to all shareholders to figure out what's happening around them.

Moreover, the Fisher hypothesis test shows a significant correlation between *Power Distance* as a dimension and information awareness. Speculatively, an increase in the amount of information provided to Minority shareholders regarding their basic rights and how they can exercise them would decrease the gap between powerful stakeholders such as board members, Majority shareholders,

managers and Minority shareholders. Not only that, more information also improves the overall level of compliance with CG procedures by listed corporations as Minority shareholders would become a part of the process of monitoring their corporations. Hence, Minority shareholders can protect their investments through their appropriate participation, as prescribed by the OECD principles of CG, pertaining to their rights as Minority shareholders. This finding is consistent with the findings of Griffin et al. (2014) that “power distance is negatively and significantly associated with minority shareholder protection”. As a result, Minority shareholders in countries where *Power Distance* is high are less likely to assist in the process of improving CG compliance and challenging bad practises as compared to Minority shareholders in low *Power Distance* cultures.

In addition, the high level of *Power Distance* of the Saudi shareholders also implies that there is no clear separation of management from ownership control. Hence, it is not surprising that families own 75% of listed companies in Saudi Arabia, while government and individual founders own 25% of listed companies (Al-Zuhair, 2008). The logic behind such phenomena is best explained by Hammoud (2011), “the family remains the strongest and fundamental unit of social and business organization in the Arab World...Moreover, family members form family associations which organize activities and hold regular meetings to care for the affairs of the family and its members”.

As a consequence, this unclear separation of management and ownership translates into a culturally specific kind of reporting. In the Saudi environment, information about powerful individuals is “more understandable, believable and appreciable by the society than information of policies, regulations or laws [regulating the financial statements]” (Al-Nodel & Hussainey, 2010). This helps to explain the high gratitude attached to powerful individuals by Saudi shareholders as highlighted by the *Power Distance* dimension, which is worthy of further investigations in the qualitative phase to investigate the factors, whether legal or political, that shape this gratitude and make it relative to the success of shareholder investments on the economical level.

Overall, support for **Hypothesis 3**, the quality of the exercise of Minority shareholders’ rights, as defined by the OECD principles of CG, is low in high PDI Cultures such as the Saudi, is found via the descriptive, and hypothesis tests as indicated and supported by the relevant literature.

4) Femininity (FEM):

Masculine (MAS) societies are found to have less ethical sensitivity (Blodgett et al., 2001). In fact, individuals in such societies are less likely to be affected by codes of ethics and are more concerned with their personal achievements and material wealth (Lu, Rose & Blodgett, 1999). By contrast, in a

culture that possesses a high level of *Femininity* individuals tend to act more compassionately and tend to have a strong ethical sensitivity (Hofstede, 2001; Nadler, 2002).

Thus, feminine orientated cultures are more inclined to improve their CG than highly masculine ones on the basis of their care for others. Therefore, it is expected that “high masculine societies are less likely to protect minority shareholders” (Griffin et al., 2014).

As a matter of fact, in the OECD principles of CG pertaining to Minority shareholders rights, key ownership functions and equitable treatment of shareholders are all written in terms of “feminine values of care and protection, to counter the masculine spirit of competition and pursuit of personal gains” (Chiper, 2010). Hence, aspects of caring for others construct the *Femininity* dimension. “A feminine society is one where quality of life is the sign of success” (Hofstede et al., 2010).

Based on previous studies, the following hypothesis is developed:

Hypothesis 4: The quality of the exercise of minority shareholders’ rights, as defined by the OECD principles of CG, is low in high MAS cultures such as the Saudi.

Using variables of equitable treatment of shareholders’ rights composing the Minority shareholder protection index constructed for this study, the Saudi shareholders scored 48 on the *Femininity* dimension using the Mode. This low score is reflective of the high level of *Masculinity* of Saudi shareholders as also suggested by Hofstede’s et al. (2010) score of 60 on the *Masculinity* dimension. Moreover, it should also be noted that the reason this study is more focused on the level of *Femininity* of Saudi shareholders, as opposed to the level of *Masculinity*, is due to its direct corresponding effect on the quality of compliance with OECD principles of CG pertaining to Minority shareholder rights (see Appendix B10).

Moreover, what can be inferred from the *Femininity* score of this study is that, the expected level of Minority shareholders protection is low in Saudi Arabia. Moreover, the descriptive statistics of this study show that Minority shareholders scored higher on the *Femininity* dimension as compared to Majority and Sophisticated shareholders using the Mean and the Mode. The Mean of Minority shareholders on this dimension was 58.2, Sophisticated 53.3 and Majority 50.6. The Mode of Minority was 53, Sophisticated 53, and Majority 48. Moreover, the non-parametric tests of *Kruskal-Wallis and Mann-Whitney* show that Minority shareholders scored 90% and 74% higher on *Femininity* compared to Majority shareholders respectively. Hence, Saudi Majority shareholders are two times more masculine than Minority shareholders and are driven by competition, achievement and success.

Therefore, their care for Minority shareholders and their rights as prescribed by the OECD principles may be expected to be minimal. In fact, this observation is signified by the Fisher Exact test, which

shows a significant relationship between *Femininity* and shareholder type. This is especially true when those Majority shareholders are in the position to run corporation on a day to day basis, control General Meeting agenda, and the amount of information attached to shares, as it is the case in Saudi Arabia.

In addition, this result of a higher level of *Masculinity* among Majority shareholders also implies their low level of willingness to involve Minority shareholders in listed corporations' activities, as they are entitled to by the OECD principles of CG. Moreover, as Majority shareholders are driven by their personal achievements, material wealth, and due to their less feminine nature, they will assist in the process of shaping corporate policies and procedures entitling them to exercise more control through their voting rights (Bebchuk, 1999). Hence, there is so much at stake for Majority shareholders to be in control as they can reap the private benefits of control (Bebchuk, 1999).

Moreover, the implication of powerful Majority shareholders shaping CG policies and procedures in Saudi listed corporations to protect their sources of the 'Private benefits of control' was validated by the qualitative section of the questionnaire. When Minority shareholders were asked to rate how their practical experiences related to their equitable treatment rights, as prescribed by the OECD principles, 3 out of 35 Minority shareholders answered as follow:

1- Form: 48

C- There is no such principle for equitable treatment

2- Form 45:

C- No equitable treatment

3- Form 41:

C- There is no equitable treatment unfortunately.

Note: One Majority shareholder offered his insight on the issue of discrimination between shareholders in the qualitative section of the questionnaire as he sees it affecting the efficiency of the CG procedures:

4- Form 14:

- A- Getting the information on time aids a lot in preventing problems and obstacles disrupting investments. Hence, the level of information must be made available to all shareholders. There must not be any sort of discrimination between shareholders such as those investing in a small number of shares. Therefore, small shareholders must be given the voting and nominating rights because this will increase the degree of relationship between them and higher management.
- B- Transparency is very important especially in money-oriented dealings. Hence, holding onto information regarding money produces in-confidence.
- C- There must be equitable treatment between all shareholders in terms of transparency, getting the information regarding their investments even if their investments form a small percentage of the overall capital structure. In fact, discrimination between shareholders on getting information will weaken investments and productivities.

Moreover, the Fisher hypothesis test shows a significant correlation between *Femininity* as a dimension and information awareness. Speculatively, the amount of information provided to Minority

shareholders regarding their basic voting rights and how they can exercise them decreases the private benefits of control enjoyed by Majority shareholders. Not only that, but it also improves the overall level of compliance with CG procedures as Minority shareholders become a part of the process of monitoring their corporations. As a result, the private benefits of control will be curbed if such exercise of OECD Principles of Minority shareholders is guaranteed.

In addition, globalisation has aided in the creation of the OECD principles and compliance with its procedures is required of the profession by all member countries to produce better protection for Minority shareholders. Moreover, the media effect on public opinion is highly recommended as a mechanism of curbing private benefits of control, as it is capable of exposing inequitable corporate practices and inducing corporate managers to bow to social and environmental pressures (Dyck & Zingales, 2002, 2003).

Interestingly, Religion and *Femininity* are found not to be significant in this study even though it was expected they would have some sort of correlation. The assumption was based on the observation that religions, including Islam, were expected to have some effect on ensuring equitable treatment of individuals. Nevertheless, this finding is confirmed by other studies which found no significant correlation between Religions and *Masculinity* in regard of investor protection and market development around the world (Matoussi & Jardak, 2012).

Overall, support for **Hypothesis 4**, the quality of the exercise of Minority shareholders' rights, as defined by the OECD principles of CG, is low in high MAS cultures such as the Saudi, is found via the descriptive and hypothesis tests as indicated and supported by the relevant literature.

5) Long Term Orientation (LTO):

Long Term Orientation (LTO) is defined as the fostering of virtues of future rewards—in particular, perseverance and thrift (Hofstede, 2005). In contrast, the Short Term Orientation (STO) stands for the fostering of virtues related to the past and present—in particular, respect for tradition, preservation of face, and fulfilling social obligations (Bae, Chang & Kang, 2012).

Hence, normative societies, who score low on LTO dimension, prefer to maintain time honoured traditions and norms while viewing societal changes with suspicions. Therefore, people in such societies have a strong concern with establishing the absolute truth. Hence, they are normative in their thinking: “they exhibit great respect for traditions, a relatively small propensity to save for the future, and a focus on achieving quick results” (Hofstede et al., 2010).

On the other hand, cultures scoring high on the LTO dimension take a more pragmatic approach: they encourage thrift and efforts in modern education as a way to prepare for the future (Hofstede et al., 2010).

“Past Orientation in the time and space outlook of Arabs shows the most as they reconsider their view of themselves in comparison with others in the face of current crises they face. Having stopped short in their march toward modernization, Arabs have been having difficulty coping with globalization and its associated rapid pace of change. The result has been one of an identity crisis intensified by a perception of being under attack from the West especially with regard to their religion. Accordingly, Arabs turn to their past where they find comfort in their ancestors’ glories and achievements” (Hammoud, 2011).

This “trace back” effect has been documented in the qualitative section of the questionnaire. When Minority shareholders were asked whether or not they would require the blessing of a religious scholar to enforce their rights as shareholders prescribed in the OECD principles of CG, they answered as follow:

1- Form: 48

Yes, on the condition that this opinion comes from an independent religious committee with no relation to the government or listed corporations.

2- Form 41:

Yes, to avoid the forbidden and earn money in a permissible way by staying away from any suspicion.

3- Form 57:

Yes, permissibility and formidability.

4- Form: 23

Yes, because we are Muslims. Hence, before I take a step or deal financially: I need to know the religious decree and opinions of the religious scholars.

5- Form 25:

Yes, to get a clarification regarding the permissibility of such rights or formidability.

6- Form30:

Yes, to get the religious opinion regarding these corporations.

7- Form 27:

Yes, to get the clarification and transparency from the religious decree regarding dealings with certain shares.

8- Form18:

Yes, I need to know the religious opinion regarding these investments.

9- Form 14:

Yes, I need the opinion of religious scholars because entering and participating in financial dealings may get into some usury. Hence, I must take preventive measures

10- Form 1:

Yes, to make sure there are no Riba “Usury” dealings clashing with Islam

Hence, based on the previous studies and the observations above: hypothesis 5 is developed

Hypothesis 5: The quality of the exercise of minority shareholders’ rights, as defined by the OECD principles of CG, is low in low LTO cultures such as the Saudi.

Using variables of basic shareholders rights corresponding to future profit measures such as: obtaining relevant information on a regular basis, share in profits of corporations via dividends, acknowledgement of extraordinary transactions, knowledge of the financial and operating results of a company, and foreseeable risk factors composing the Minority shareholder's protection Index constructed for this study, Saudi shareholders scored 32 on the LTO dimension using the Mode. Hence, this low score is indicative of the *Short Term Orientation* of Saudi shareholders and their normative thinking (Hofstede et al., 2010). In addition, this finding is confirmatory of Hofstede's et al., (2010) score of 36 on LTO. There is not that much difference between Hofstede's score and the score of this study using the Mode.

Moreover, Minority shareholders scored higher on this dimension as compared to Majority and Sophisticated shareholders using the Mean and the Mode. The Mean of Minority shareholder on this Dimension was 30.7, Sophisticated 30.4 and Majority 27.2. The Mode of Minority was 32, Sophisticated 28, and Majority 27. Even though there was a slight difference in the level of LTO found in each Saudi shareholder group using the scores derived from the descriptive statistics, the non-parametric test of *Kruskal-Wallis and Mann-Whitney* show that Saudi Minority shareholders scored 129% and 93 % higher on the LTO as compared to Majority shareholders, respectively. Hence, the higher score of Minority on LTO implies their pragmatic approach towards their investments and represents their higher orientation towards future dividends and their higher willingness to wait longer for dividends as compared to other Saudi shareholder groups. In fact, this observation is shown highly significant by the Fisher Exact test as it indicates a significant relationship between LTO and Saudi shareholder type.

Therefore, these results have concrete implications related to the level of dividends and their due time as distributed by listed Saudi corporations. Specifically, due to the low level of LTO of Saudi shareholders as a whole and higher level of LTO of Minority shareholders, implying their higher level of pragmatism towards their investments compared to other Saudi shareholder groups, Saudi corporations are culturally compelled to pay future rewards in the form of dividends to all shareholders on a regular basis regardless of Minority shareholders' willingness to wait longer (Bae, Chang & Kang, 2012).

Moreover, the Fisher hypothesis test shows a significant correlation between LTO and information awareness. Speculatively, the amount of information provided to Minority shareholders regarding their basic financial rights contributing to their wealth maximisation influences the size and time of dividends distributed to them.

In addition, listed Saudi corporations were found to usually distribute 100% of their generated income as dividends (Osman & Mohammed, 2010). Also, the agency cost was found not a critical driver of the dividend policy due to the fact that Saudi listed corporations are highly leveraged via bank debt (Al-Ajmi & Hussain, 2011). However, Zakat (an Islamic tax: 2.5 percent of a company's unused assets in hand) is found to play a critically driving role in explaining dividends policies employed by Saudi listed corporations (Al-Ajmi & Hussain, 2011).

In addition, the Fisher hypothesis test shows a significant correlation between LTO and Religion and LTO and Education. These correlations are significant as they indicate that education can reduce the effect of using religion as a point of reference and a source of information regarding the application of the CG principles prescribed in the OECD forum. For example, 73.5% of all respondents required a religious permit from religious scholars to call for the application of the OECD principles of CG pertaining to shareholders' rights: 87.5% of Majority respondents required a blessing whereas 74.3% of Minority respondents required a blessing. Hence, the level of awareness regarding shareholders rights did not cause a decrease in the religious effect but rather the level of LTO as Minority shareholders' scored higher on this dimension compared to other groups of Saudi shareholders. In addition, 91% of Minority shareholders, on average, were found to hold high qualification compared to 87.5% of Majority, on average (see Appendix C3).

Overall, support for **Hypothesis 5**, the quality of the exercise of Minority shareholders' rights, as defined by the OECD principles of CG, is low in low LTO cultures such as the Saudi, is found via the descriptive and hypothesis tests as indicated and supported by the relevant literature.

5.7 Chapter Summary

The questionnaire as a whole was capable of measuring the CVD of the Saudi shareholders based on the OECD principles of CG pertaining to Minority shareholders' rights. Not only that, but the measurements, via the descriptive statistics, are in confirmation with Hofstede's et al. (2010) findings:

Table 5.12: CVD of Saudi Shareholders based on OECD Principles of CG

	Individualism	Power Distance	Uncertainty Avoidance	Masculinity/ Femininity	Long Term Orientation
Hofstede	25	95	80	60	36
This study	49	75	74	48	32

Source: The Author

Moreover, the non-parametric tests, *Kruskal-Wallis* and *Mann-Whitney*, revealed significant correlations between each of Hofstede's et al. (2010) CV dimension across shareholder type and the

quality of the exercise of Minority shareholders' rights, as defined by the OECD principles, in Saudi Arabia.

In addition, support for all research hypotheses was established. Moreover, the potential causations between Hofstede's (1980-2010) CV dimensions and the level of Minority shareholder's protection are also well grounded in the relevant literature, as detailed in the discussion section of this chapter.

Therefore, undoubtedly, Hofstede's (1980-2010) CV dimensions have the explanatory power to reveal differences in CG worldwide (Chan & Cheung, 2012). Hence, it is common to realise weak Minority shareholder protection and a low level of CG compliance in emerging markets such as Saudi Arabia's characterised as high on *Power Distance*, *Collectivism*, *Uncertainty Avoidance* and low on *Femininity* (Rafiee & Sarabdeen, 2012).

Moreover, the distribution of all CV dimension via the Mean rank of the ***Kruskal-Wallis*** and ***Mann-Whitney***, except for *Individualism* via the ***Kruskal-Wallis*** hypothesis test, was found not to be the same when comparing the groups of Majority with Minority shareholders. Hence, significant correlations were found when comparing the CVD of *Individualism*, *Power Distance*, *Uncertainty Avoidance*, *Femininity*, and *Long Term Orientation* between Majority and Minority shareholders. Hence, the significant correlations expose two different cultures pertaining to Majority and Minority shareholders in Saudi Arabia and the implications are detailed in the discussion of this chapter.

In addition, the most commonly presented finding through the Fisher Exact test is how each CVD dimension except LTO correlates significantly with the level of information shareholders are aware of concerning their rights. The implications of these findings are consistent with the effect of globalisation and the media found in relevant literature in raising awareness. In fact, globalisation aided in the creation of the OECD principles of 2004 and compliance with its procedures is required of the international accounting profession by all member countries. Moreover, not only is compliance with its procedures monitored by the OECD, the design of shareholder awareness programmes explaining their rights in emerging markets such as Saudi Arabia is requested by the OECD, as noted by Koldertsova's (2011) OECD report.

Overall, due to a number of discussions the quantitative phase could not effectively cover all issues raised by the research questions. Therefore, the qualitative phase, in the following chapter 6, is capable of adding new nuances to the interpretations and sophistication to the understanding of other factors influencing the quality of the exercise of Minority shareholders' right in Saudi Arabia in light of culture. Hence, such qualitative findings will corroborate the quantitative findings and ultimately expose the depth of the issue being explored by this research via both research questions. In addition,

the relations between the qualitative findings and quantitative findings will be fully integrated in the conclusion chapter when applying the main research theory, New Institutional Sociology, to both findings to assess how organisations' legitimise themselves by conforming to societal values while exposing how elites can define appropriate models of organisational structures and policies which then go unquestioned for years to come.

6. Chapter Six: Qualitative Research Analysis and Discussion

6.1 Introduction

On the methodological level, this research engages in an ethno-methodology, which encompasses the sociological study of rules and rituals underlying ordinary social activities and interactions.

Accordingly, two forms of inquiry and data gathering are employed, namely: questionnaires, as seen in the previous chapter; and semi-structured interviews, which will be discussed under this chapter to enrich and corroborate the outcomes of the understanding generated by the questionnaires.

Hence, the primary objective in developing the interviews for this study was to adequately capture the in-depth information needed to answer the second research question, which is 'What other factors influence the level of compliance of listed Saudi Corporations with the OECD principles with respect to the protection of minority shareholders' rights?' Moreover, the semi-structured interviews are in full accordance with the interpretive paradigm of this study, as discussed earlier in chapter 4. Therefore, this phase of the research focuses on idea collection- to discover deep-rooted feelings and attitudes behind conceptual ideas concerning the legal and political factors influencing the exercise of minority shareholders' rights in Saudi Arabian in light of the culture.

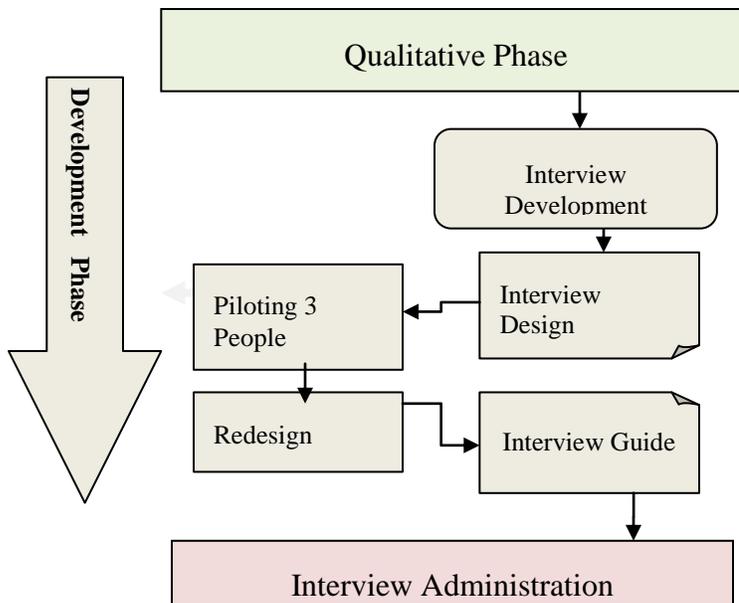
Moreover, the qualitative findings will corroborate the quantitative findings, presented in chapter 5, in terms of shedding light on the legal and political factors influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders' rights. In addition, such corroboration is capable of revealing new nuances of deeper social and cultural phenomena explored within this research and examined in part through the more formal analysis discussed in chapter 5. Therefore, the legal and political factors are further explored as justified and indicated by the relevant literature review conducted for the purpose of this research to provide a comprehensive account of CG practice in Saudi Arabia in relation to minority shareholders' rights. Therefore, such corroboration will expose the depth of the issue being explored by this research via both research questions.

This chapter will begin with the research design of the interviews, which is composed of three phases, namely: a developmental phase, an implementation phase, and an analysis phase. Then, the chapter will deal with the profiles and assessment of interviewees and the qualitative data analysis process. In succession, the qualitative analysis phase will report the analyses and discussions of both the legal and political factors influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders' rights.

In addition, it should be noted that the complexity of the Saudi political and religious environments needs to be navigated with great care in the discussion of this thesis. Hence, the researcher is endeavouring to be a fair writer to the truth but recognises differences in views.

6.2 The Development Phase: Interview Design and Guide

Figure 6.1



Source: The Author

A. The Interview Strategy

Semi-structured interviews were used as they are flexible in process and allow interviewees' own perspectives to be explored in regard to other factors influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders' rights (Bryman, 2012). Hence, this interview technique is capable of achieving the second objective of this study.

B. Interview Design and Guide

Saunders et al. (2011) argue that the quality of qualitative data to a large extent depends not only on the structure of interviews but also on the design of each individual question. According to Cornford and Smithson (2006) interviews should be kept to the topic at all times to avoid any potential deviation from the main issues to be explored. Hence, researchers need to carefully plan their questions and take control. Therefore, one way of doing so is by developing an interview guide in order to provide

guidance and to ensure consistency throughout an interview process. For the purpose of this research, an interview guide was developed with a flexible design taken into account (see Appendix B6).

The flexible design of the interview guide was inspired by the advice of Hammersley and Atkinson (2007, p. 117):

“Ethnographers do not usually decide beforehand the exact questions they want to ask, and do not ask each interviewee precisely the same questions, though they will usually enter the interviews with a list of issues to be covered. Nor do they seek to establish a fixed sequence in which relevant topics are covered; they adopt a more flexible approach, allowing the discussion to flow in a way that seems natural”.

Therefore, the researcher opted to use an open-ended question technique in the form of a semi-structured interview. Hence, his intentions are not to use directional prompting or even to ask all questions at every interview, but rather to cover the subject matter of the topic during the course of the interviews.

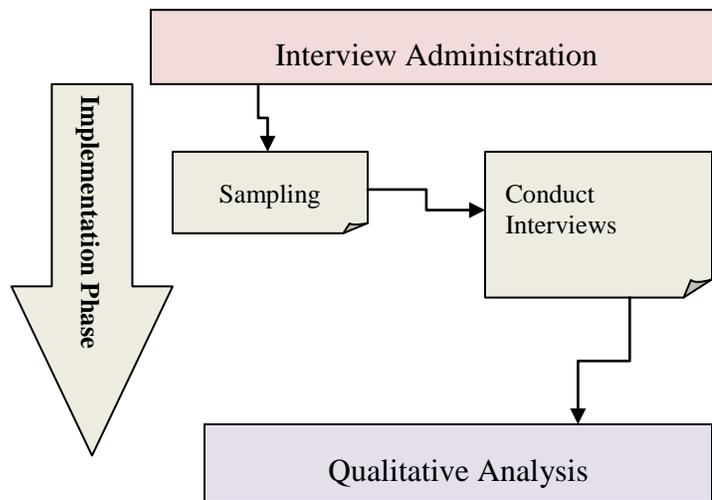
As a result, the interview guide consisted of an introduction, main questions, emphasis, and clarifying questions (see Appendix B6). In addition, the main questions sought to explore what the other factors influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders' rights are. Moreover, in order to obtain more information on perceptions and views of these factors, clarifying questions were developed in the form of asking interviewees to give examples to expand more on any issue of interest to elicit the maximum amount of information. In addition to that, the emphasis section in the interview guide was composed of significant elements taken from the relevant literature and included in the guide to ensure consistency in covering important elements of the main questions. Moreover, the inclusion of such emphasis added a calculated flexibility to the interviews, providing the researcher with significant sub-topics that the interviewee might find intriguing. In addition, having this flexibility aided in avoiding asking too many questions, and consistently ensured that interviewees were put at ease as those sub-topics could be gently inserted into the conversations.

Moreover, the interview guide was initially designed in English. Then, it was translated from English to Arabic by the researcher. A final translation to English was done when reporting and transcribing each interview right after its occurrence: initially by the researcher and further checked by a certified translator, Ahmed Al-Harbi. As advised by Saunders et al. (2007) “to create a full record of the interview soon after its occurrence [is] one means to control bias and to produce reliable data analysis”. Moreover, transcribing was done to capture only spoken words (Davidson, 2009). In addition, all interviews were conducted in Arabic as it is the business language in Saudi Arabia.

Also, it is worth noting that the interview constructs, extracted from the relevant literature (see Appendices B2 & B3) are well grounded in theory and purpose. However, these constructs have limited applicability on the quantitative level in an emerging economy such as Saudi Arabia's due to its fragile institutional infrastructure, about which credible quantitative data are difficult to obtain. Hence, these constructs were used qualitatively to investigate the other factors influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders' rights: taking into account the legal and political mediums affecting the nature of compliance as justified and indicated by the relevant literature.

6.3 The Implementation Phase: Sampling and Conducting of Interviews

Figure 6.2



Source: The Author

A. Sampling of Respondents for the Qualitative Phase

As the interviews are meant to reveal in-depth information regarding the legal and political factors influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders' rights, a careful consideration of the population sample had to be exercised. Therefore, with regard to the selection of particular participants based on their areas of expertise pertaining to the legal and political factors influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders' rights, a snowballing technique was deemed appropriate to identify a hidden population.

“Snowballing is a non-probability sampling technique where existing study subjects recruit future subjects from among their acquaintances. Thus the sample group appears to grow like a rolling snowball. As the sample builds

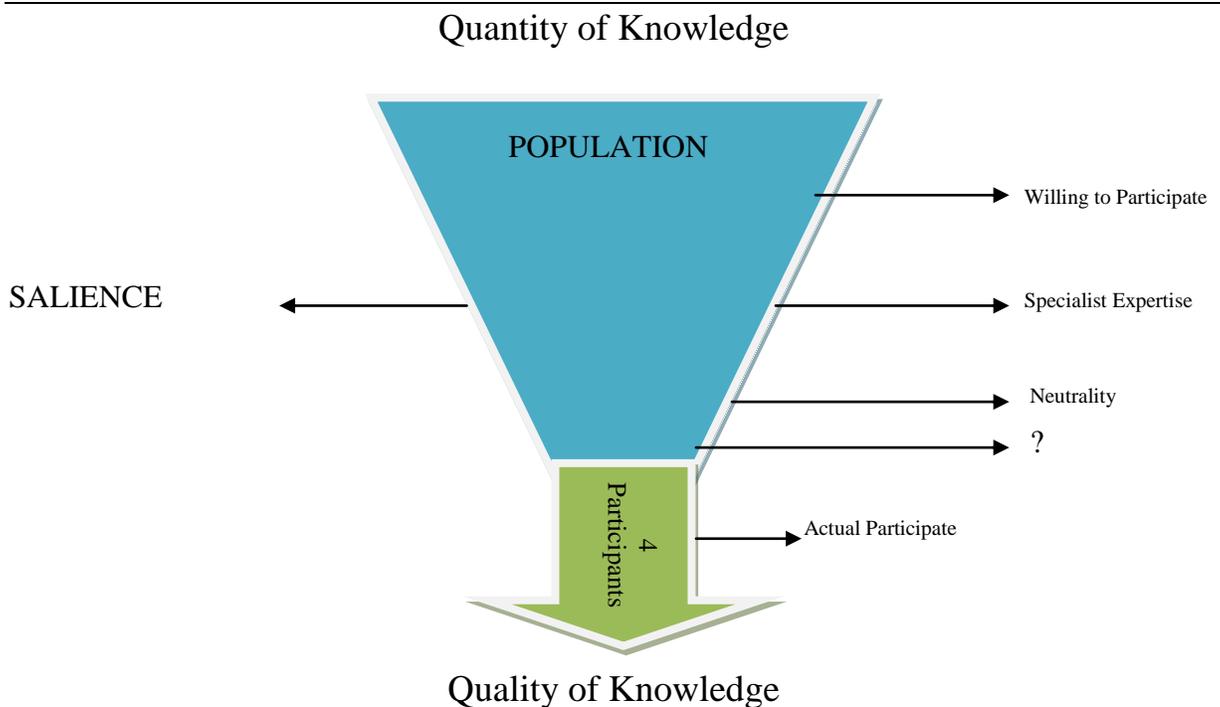
up, enough data is gathered to be useful for research. This sampling technique is often used in hidden populations which are difficult for researchers to access” (Goodman, 1961).

In addition, Morgan (2008) in relation to snowballing mentions the following stepwise approach:

1. Draft up a participation’s programme (likely to be subject to change, but indicative).
2. Approach stakeholders and ask for contacts.
3. Gain contacts and ask them to participate.
4. Community issues groups may emerge that can be included in the participation programme.
5. Continue the snowballing with contacts to gain more stakeholders if necessary.
6. Ensure a diversity of contacts by widening the profile of persons involved in the snowballing exercise.

However, a better way of describing the process, giving focus and purpose, is through ‘funnelling’ where by the total domain of knowledge processed by the relevant population is filtered through a series of criteria which lead to the selection of the targeted participants in the qualitative phase. These participants are the ones judged, through the filtering process, to offer the highest quality of knowledge and understanding of the problem domain.

Figure 6.3: The Funnelling Technique of Snowball Sampling.



Source: The Author and His Supervisor, Prof. Bob Ryan

Therefore, the ‘funnelling approach’ was adopted initially by the researcher and then followed by the snowballing technical steps recommended by Morgan (2008) to draft up targeted segments. By doing so, the advantage of using the snowballing technique is that identifying and locating a hidden population of experts in a specific field will be gained (Morgan, 2008). As a result, a draft up of targeted segments was developed based on the legal and political expertise required to answer the second research question, regarding the political and legal factors influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders’ rights. Below is the list of these targeted segments:

Table 6.1: Drafted Segments for Interviews

No	Drafted Segment	Approach	Result
1	Well-experienced lawyers in the area of corporate law	Via social network	5 lawyers identified: 2 participated
2	Well-experienced CPAs in the area of corporate governance and investor rights	Called and emailed all big four Audit companies in Saudi Arabia (See AppendixD4)	A few participants promised but did not participate
3	Saudi Organization for Certified Public Accountants (SOCPA)	Emailed (See Appendix D4)	No response
4	Saudi Capital Market Authority (SCMA), Saudi Ministry of Finance: both responsible for regulating the Saudi Arabian capital markets (Tadawal). Their responsibilities include setting CG rules and monitoring Saudi corporations’ compliance	Called, emailed, and there was no response. Researcher travelled to Riyadh to meet with one of the senior officials of Corporate Regulations (See Appendix D4)	1 participant identified: However, refused for an interview to be recorded. Hence, his opinions were carefully generalized and no direct quotation was reported or given.
5	Current and ex-Legislators	Identified via social network	2 identified: 1 ex-legislator participated
	Hofstede	Email with replies (See Appendix D3)	Results reported in Chapter 5

Source: The Author (See Appendices D3 & D4)

6.3.1 Disadvantages of Using Snowballing:

1. Community Bias:

“The first participants will have strong impact on the sample. Snowball sampling is inexact, and can produce varied and inaccurate results. The method is heavily reliant on the skill of the individual conducting the actual sampling, and that individual’s ability to vertically network and find an appropriate sample. To be

successful requires previous contacts within the target areas, and the ability to keep the information flow going throughout the target group” (Morgan, 2008).

Resolution: the researcher had already established previous contacts with targeted segments while conducting the preliminary questionnaire analysis. In addition, due to the difficulty of establishing a sampling frame for the snowball population in the qualitative phase, the literature review conducted by the researcher along with his proposed model enormously aided in identifying the areas where potential experts might be located to conduct the interviews. Therefore, vertical network logic was utilised; hence, the risk of bias of recruiting a friend was reduced, no such friend was interviewed. In addition, the risk imposed by the first participant was resolved by adhering to Morgan’s (2008) recommendation that “the success of this technique depends greatly on the initial contacts and connections made. Thus it is important to correlate with those that are popular and honorable to create more opportunities to grow, but also to create a credible and dependable reputation”. Therefore, the first participant was one of the most reputable lawyers in Jeddah, Saudi Arabia. Hence, further referrals were made, but only after careful consideration by the researcher, were they accepted.

2. Not Random:

“Snowball sampling contradicts many of the assumptions supporting conventional notions of random selection and representativeness. However, social systems are beyond researcher’s ability to recruit randomly. Snowball sampling is inevitable in social systems” (Atkinson & Flint, 2004).

Resolution: as the snowball sampling is selected for the qualitative idea/data collection phase, its representativeness is strengthened by the researcher’s proposed model, which was built in accordance with the relevant literature available in the area of CG. Hence, selection of participants is well grounded in the relevant literature based on their areas of expertise. For example, legal studies focusing on CG such as La porta et al. (1997, 1998 and 2006) and Djankov et al. (2008) considered lawyers at law offices as targeted segments. Hence, the researcher opted for interviewing experienced lawyers for the legal section of the interviews.

In addition, the constructs for the qualitative phase of this research were quantitatively driven from the literature. Therefore, they provide well-cemented criteria upon which potential participants’ contributions can be evaluated and assessed; resulting in either the continuation or dismissal of participants in this phase of the idea/data collection. Hence, the non-randomness of the technique did not jeopardise the results. In addition, the researcher’s criteria, driven by the relevant literature, assisted in increasing the level of randomness in selection.

3. Vague Overall Sampling Size:

“There is no way to know the total size of the overall population” (Morgan, 2008).

Resolution: there was no need to know the total size of the overall population as the qualitative phase of the study was intended to reveal in-depth information regarding the subject matter. Hence, the quality of the information was not assessed on the quantity of participants but rather on the quality of information provided by participants. Moreover, such quality can be measured via assessing participants' data against the norms of the relevant literature for the validity and reliability of interviewees' feedback.

In addition, the researcher decided to use a judgmental sampling strategy which was deemed appropriate for this phase of the study since this phase was exploratory in nature. The intention of the researcher was to explore perceptions and views of the legal and political experts on the factors pertaining to their areas of expertise influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders' rights.

In addition, the outcome of this phase of the research pertaining to the second research question was not to generalise the results to a wider population but rather to provide depth of insight into the subject matter. As for the size of the sample, in judgmental sampling, the researcher uses his/her judgment to decide when enough participants have been selected. As suggested by Kvale (1996), new interviews might be conducted until a point of saturation, where further interviews yield little new knowledge. In fact, after the first three interviews, it became obvious to the researcher that a point of saturation had been reached due to the level of repetition within the ideas/data collected from the three different participants.

4. Incorrect Anchoring:

“Another disadvantage of snowball sampling is the lack of definite knowledge as to whether or not the sample is an accurate reading of the target population. By targeting only a few select people, it is not always indicative of the actual trends within the result group” (Morgan, 2008).

Resolution: the multi-dimensional literature review conducted by the researcher along with its quantitatively driven constructs in the CG literature provided the researcher with sufficient knowledge regarding areas of expertise needed and targeted segments required to qualitatively answer the second research question. Therefore, the research was deemed competent with regard to the framework and knowledge needed for this phase of the study.

6.4 Trustworthiness of the qualitative results

Trustworthiness is a measure of the qualitative research's quality and the concept is closely associated with the terms validity and reliability in quantitative research (Marshall & Rossman, 2014).

1. *Credibility*

In qualitative research, the term *Credibility* is associated with the focus of such research and is closely related to the level of confidence in regard to how well the data and the analyses processes address the intended focus (Polit & Hungler, 1999).

Nevertheless, it is extremely difficult to measure the level of credibility in qualitative research. Arguably, there is not a single reality to be discovered as each participant constructs a personal reality of his or her own (Smith & Ragan, 2005). However, one method to increase the *Credibility* of qualitative research is via the inclusion of an external member checking into the findings (Lincoln & Guba, 1985)

Therefore, the qualitative findings aimed at answering the second research questions were member-checked by two academic colleagues, from the University of Hail (the researcher's employer) along with the researcher's academic supervisors at the University of Gloucestershire, to gain further feedback on the findings.

2. *Transferability*

In qualitative research, the concept of *Transferability*, comparable to the concept of validity in quantitative research in terms of the generalisation of findings, indicates the extent to which such qualitative findings can be transferred to other settings (Polit & Hungler, 1999).

Hence, as advised by Seale (1999), *Transferability* in qualitative research is achieved by providing a detailed description of settings explored to provide readers with sufficient information. This undertaking enables readers to assess their judgments about the applicability of qualitative findings to other settings they can relate to, as *Transferability* is primarily a matter of readers' judgment of phenomena explored in their context (Lewis & Ritchie, 2003).

Therefore, a thick description of the qualitative findings of this research is provided to allow readers to assess qualitative findings and judge their *Transferability*. In addition, qualitative constructs, legal and political factors, signified by the relevant literature (see Appendices B2 & B3) are further discussed under each qualitative finding.

3. Dependability

Dependability refers to the extent to which such qualitative findings can be replicated (Merriam, 1998). Hence, it entails a judgement of whether, if a similar study were to be repeated in the same context, using the same participants and applying the same methods, similar results would be obtained.

Therefore, one way of ensuring *Dependability* is through the process of auditing a researcher's documentation of data, methods, and decisions made (Lincoln & Guba, 1985). Hence, the researcher is responsible for ensuring that the qualitative process is logical, traceable and properly documented (Schwandt, 2007).

In this research, *Dependability* is achieved by providing an in-depth coverage of the processes of the qualitative phase as detailed in chapters 4 and 6, along with their designated appendices, B & D.

4. Confirmability

Confirmability is concerned with establishing that interpretations of findings are derived from the data (Tobin & Begley, 2004). As under the *Dependability* concept, the audit trail is one way to ensure *Confirmability* of interpretations from such data (Lincoln & Guba, 1985).

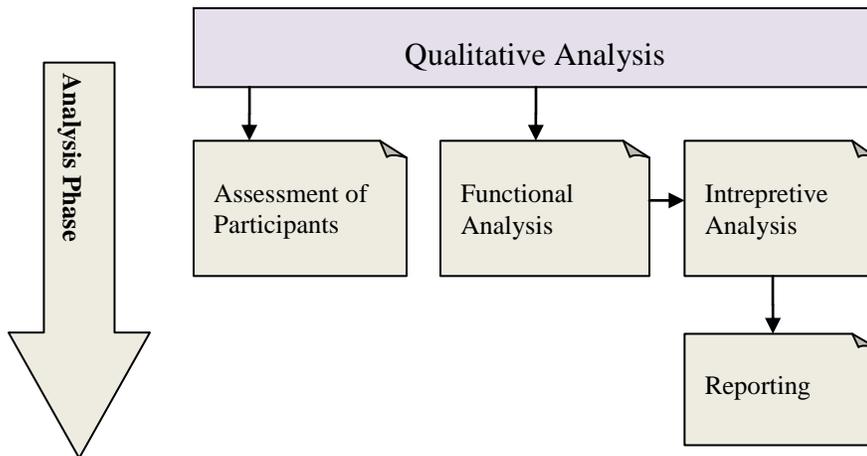
Hence, an audit trail is provided via a transparent description of the qualitative phase of this research: covering the design phase, the development phase, the implementation phase and the reporting phase, as detailed in chapters 4 and 6 along with their designated appendices, B & D. In addition, interpretations of data findings are supported by the relevant literature throughout the qualitative discussion section in Chapter 6.

5. Ethical Issues

Research ethics refer to the appropriateness of researchers' behaviour in relation to the rights of those who become the subject of research and are affected by such work (Saunders et al., 2007). Hence, in this research, the following ethical considerations were carefully considered in order to minimise any identified risks: consent, confidentiality, debriefing, protection of participants, and withdrawal from participation.

6.5 The Qualitative Analysis Phase:

Figure 6.4



Source: The Author

A. Profile of Participants of the Qualitative phase:

Table 6.2: Profile of Participants

Participants	Characteristics					Date of interviews
	Profession	Representations	Gender	Age	Education	
Participant 1 (Enint 1)	Lawyer 1	Law Practise	Male	47	PhD	07/09/2014
Participant 2 (Enint 2)	Ex-Legislator	House of Consultancy	Male	55	Master	30/09/2014
Participant 3 (Enint 3)	Lawyer 2	Law Practice	Male	36	Master	26/08/2014

Source: The Author

Most importantly, it should be noted that the complexity of the Saudi legal, political and religious environments needed to be navigated with great care in the discussion of this thesis. Hence, the researcher was endeavouring to be a fair writer to the truth but recognises differences in views when interpreting the data. Therefore, the following techniques were considered to analyse the reported outcome

- A content analysis involving the identification of keywords, paragraphs, and themes.
- A relational analysis involving the identification of concepts and exploration of relationships between concepts.
- Coding and themes were pre-constructed via the literature review. Hence, there was no need to use such qualitative software or a manual technique to establish them. Nevertheless, a few emergent themes were captured through the relational analysis regarding new concepts.

- All key quotes from all interviews were summarized on a single form for ease of comprehension, reporting, and transferability (see Appendix D2).

In addition, as mentioned in the sampling section, the qualitative phase of this study is meant to reveal in-depth information regarding the subject matter. Hence, the quality of the information is not assessed on the quantity of participants but rather on the quality of information provided by participants. Moreover, such quality can be measured via assessing interviewees' data against the norms of the relevant literature for validity and reliability of interviewees' feedback. Hence, the outcome of this phase of the research pertaining to the second research question is not to generalise the results to a wider population but rather to provide an insight depth of the subject matter.

Moreover, the interview guide was initially designed in English. Then, it was translated from English to Arabic by the researcher. Hence, all interviews were conducted in Arabic, as it is the business language in Saudi Arabia and to allow participants to respond to the interview questions in the language that they are most comfortable with. A final translation to English was done when reporting and transcribing each interview right after its occurrence: initially by the researcher and further checked by a certified translator, Ahmed Al-Harbi to ensure that the meaning of each answer is as consistent as possible with the Arabic version. Hence, the researcher is initially providing translation validity at the potential expense of literal accuracy, which was taken into account after the initial translation by the researcher through the certified translator to ensure meanings of translated materials are as consistent as possible with the Arabic version.

6.6 Analysis and Discussion

6.6.1 1. Legal Factors

A. Assessing the Legal Environment

- 1) *The effect of the legal environment in Saudi Arabia on CG compliance can be evaluated through the existence of specialised courts, legal rules and level of law enforcement.*

Regarding the specialised courts, all participants agreed that specialised courts were practically non-existent in Saudi Arabia:

En 2: "I am not aware of such specialised courts as of yet - There is not a worthy court capable of protecting any one". En3: "I personally view these courts are not specialised even if you title them specialised courts: because the people occupying the seats within are not specialised." En3 was hinting at the incompetence of judges: a view which was confirmed by En1 who held a slightly different view regarding courts' specialties while providing some insights, En 1: "No, there are specialised courts, but the personnel in them are incompetent. We are also talking about the personnel, who are responsible for executing the laws of CG at CMA, are unspecialised personnel."

The reason behind the incompetence was explained by *En1* thus: *"the qualifications of these judges, we have, are not properly suitable with the nature of the specialised commercial law suits. Judges are Islamic Principles graduates and that is a must, and is a legal requirement to practice law. However, someone who studies historically traditional books; Amlogney, Almatlob, Almorbiah, I wonder how he can judge cases he does not understand? This is what is causing the delay and stretching of all commercial lawsuits in the commercial courts "*. The same issues were touched on by the other lawyer: *En 3: "the subject of always referring to Islamic scripts and Quran-ic verses needs to be stopped"*.

In addition, the state of CG enforcements was explained by *En 3* as *"the laws [of CG] exist but the dilemma is in the execution. Perhaps, the dilemma we have in execution might be due to not having a proper 'judgment authority'"*. The same view was held by the ex-legislator regarding the state of CG enforcements, *En 2: "It suffers from lacking not in legislating new laws but in executing them"*. Hence, these laws pertaining to the rights of minority shareholders as described by the ex-legislator, *En2: "are draining people and oppressing them. There is no discipline [in enforcing the law] and you cannot redeem your rights anywhere"*.

The same tone and word choice *"oppressive"* was used by one of the lawyers, *En3*, when he explained how minority shareholders' rights have not been made clear to them, or how the CG laws are judged on the scale of maintenance contracts. *En3: "No, the public is not aware of them. They are measured on*

the scale of 'maintenance contracts', maintenance contracts are oppressive....a shareholder has not bought a defective product; he bought something managed by you. How come when you miss-manage it, and you hold him responsible!" He further explained, *En3: "Unfortunately, the rights of the small shareholders, not the big ones, are not beneficial. Hence, their risks are bigger than the big shareholders' risks due to the lack of significance given to them by the environment"*.

As a consequence, all participants viewed the legal environment with its legal rules, law enforcement and specialised courts as, in the words of *En2: "Suffers from disability and needs to be modernised"* as put by the ex-legislator. The well-experienced lawyer, *En1*, offered an insight regarding this disability suffered by the legal environment that will be expanded on in the next section; *En1: "we borrow laws that don't suit the size of the work we have, nature of society or nature of businesses we have, unfortunately"*.

2) *The effect of corporate law and company law in terms of their origin and modifications by interested parties:*

The participants offered the following insights on this topic: En1: "The origin of the law here in Saudi Arabia was a 'Copy and Paste' from Egypt in the 1960's. We have gone through so many phases of 'copying and pasting laws'". The same opinion was provided by the other lawyer regarding importing laws from Egypt, *En3: "originally"*. Hence, when the law was imported from Egypt, *En 1: "We imported experts from Egypt...They brought their laws as are, they just changed the title from the United Republic of Egypt to the Kingdom of Saudi Arabia."*

Moreover, regarding the modification of these laws by interested parties, the ex-legislator offered these views, *En2: "the interest groups are the powerful and the biggest and closest to the decision makers. Laws in Saudi Arabia are not legislated. Powerful people in the country are the ones who have an opinion"*. This view is substantiated by one of the lawyers when he explained how, *En3: "the origin of the law has not been modified in an educated or planned manner"*.

3) *The effect of distribution of power within the law-either allowing top management to take control or major shareholders and its consequential effect on the nature of listed Saudi companies' compliance with CG laws.*

The ex-legislator explained, *En2: "The major shareholders. I think, they are the most powerful. Hence, CEOs are executing whatever comes from the top."* This view was also well documented by the personal experience of one of the lawyers when he said, *En1: "I have seen this with my own eyes in one of the corporations which I am a lawyer of. There is someone who owns 17 % in this listed*

company and this guy has an influence on the running of the everyday aspect of the company...you as a [small] shareholder have no role".

This insight was also supported by the second lawyer, En3: "*CEOs treat majority holders as royals when they 'are not'". Therefore, he offered a practical resolution for this issue, En3: "First you need to appoint unions and associations. Each union and watchdog represents a segment of society like it is in England: they have labor unions, union of politicians, merchants, CEOs...etc. Thus, you can select some of them to choose the laws that suit them and you give it to the government to impose these laws".*

4) *The effect of institutional investors using their legal empowerment to influence management to increase their share values in the short run- on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights?*

One of the participants agreed there was an influence on management: En3: "*Yes. [This effect] exists, to a degree, 10 years ago that degree was 90 percent, but now people have learned....It is not economically normal or possible for the Share Market's points to increase from 6,000 to 21,000 over a week... Look this effect... is not healthy".* He then listed some of the reasons why this effect was apparent: En3: "*There is a problem in legislating, executions, unions available, and promotion of the capital market. For those who have certain advantages it became clear that their advantages were personal gains not commercial ones".*

The other experienced lawyer substantiated the previous participant's data that the size of this effect was due to not having proper legal measures in place. He stated: En1: "*institutional investors... They get in with billion and billons... See, those people are well experienced in bidding and they play without being caught...You can't make them behave unless you legislate and execute".*

5) *The effect of the nature of legislation of either the market supporting focus or policy implementing focus on the nature of listed Saudi companies' compliance with CG laws*

This question was not answered in accordance with the literature by all participants. However, evidence provided in this regard is indicative of the nature of legislation in Saudi Arabia.

- Firstly, it seems as if no care was exercised in the legislation, as explained by the experienced lawyer, En1: "*why, you are changing the head of the Capital Market but the bidders are the same. Do you understand...the life cycle of the 'Copy and Paste' effect here? We wait for someone to make them [referring to Capital Markets' laws] then we come, copy them and shorten them as well. We shorten them in a shameful way. And, in the end, we never execute them".*

- Secondly, importing laws was based on a political need not a market demand, as explained by the experienced lawyer, En1: *"So the problem we have is not because it is a common law or civil law system we have, but rather we still don't know how to start. When we first started we did not start within [internally], we imported from overseas. Just like we imported cars, labour, and teachers. We imported laws as well. It is a part of our love of importing. Seriously, even when we imported, we did not figure out whatever suits us"*.

A great example of the cumulative effect of the imported laws in Saudi Arabia is:

En1: "For instance, the Saudi Marine law was written by the Greeks... When World War II finished, Aristotle Onassis...bought the depreciated American ships from the American Navy, and turned them into commercial ships. ..He came and met King Saud, and you know the approach of the Saudi Kings back then. They just want to improve the country in whichever way. So, he [Aristotle Onassis] told him [King Saud], ' what do you think of me establishing a Saudi Merchant-Shipping company and establishing a Saudi Naval college, graduating ship labourers? On the top of that I transport oil from the east to the west coast of Saudi Arabia for free! Not to mention, these ships will raise the Saudi flag and I will pay royalties to you!' So, the king said, ' that's fine'. However, he [Aristotle Onassis] said, 'on one request, you give me a priority right to transfer the Saudi oil of ARAMCO ' [the main oil production company in Saudi Arabia].... The king said, ' ok'. Then, a royal decree was issued to establish this company, SATCO [Saudi Arabia Tanker Company, established by Aristotle Onassis] ...part of the agreement was that SATCO would set up the Saudi Marine Law. And, he [Aristotle Onassis] said, ' I will bring the lawyers to set it up'. He brought two Greek lawyers, and laid down the Saudi Marine law. And, it was a 'Copy and Paste' of the Greeks' Marine Law. At the end, we come back to the nature of our culture" .

Thirdly, evidence suggests that execution of existing laws has been for the benefit of powerful individuals, as illustrated by the other lawyer, En3: *"They execute these legislations for the powerful. Actually, when the individual is powerful and well integrated into the system, then, these laws will be brought up and be executed against their opponents"*.

Cumulatively, all of the previous insights show support that the nature of legislation in Saudi Arabia regarding CG law leans towards a policy focus nature. Hence, the nature of the Saudi legislation has a civil law tendency guided by precondition-strong mandatory rules as exposed by the ex-legislator, En2: *"the power to legislate is in the hands of the powerful"*. This statement is worthy of further investigation under the political section of this qualitative analyses when dealing with the effect of the

possible existence of constant reinforcements between the Saudi government and controlling families on the nature of CG compliance.

B. Assessment of the Strength of Minority Legal Protection

1) The effect of the existing minority shareholder legal protection put in place in Saudi Arabia on the nature of listed Saudi companies' compliance with CG laws

Regarding the existing minority shareholders' legal protection put in place in Saudi Arabia, participants' comments were as follow: En3: *"It is just a picture [referring to the roles of SCMA's legal procedures protecting minority shareholders]. En2: "There is none. Now, they have just started; hence, these rules are still nominal".* Then, the ex-legislator provided some cultural insights behind this nominal phenomenon: En2: *"There is a case here in Saud Arabia. They legislate nominal laws and they keep them in the drawers. They never work or activate them. Perhaps, it is there to claim we have these laws!"*

In addition, the level of extensive disclosure required of listed Saudi corporations was not touched on by any of the participants.

2) The effect of the quality of law enforcements regarding the means of redress provided to minorities on the nature of listed Saudi companies' compliance with CG laws.

All three participants agreed that there was no quality of law enforcement: En3: *"Yes, there is no quality. If there was quality, there would have been some consistency in applying and executing the law...again I am going to refer to our previous point. For those who are powerful the law will be applied, and for the weak they should just bear!"* En2: *"They might exist [referring to the laws protecting minority's rights] but in reality they have no existence. Laws are not reflective in legislation even though legislators are doubtful people. However, the laws are reflective in execution and these laws are not executed here. These laws will only be taken out of the cabinet if you have a powerful individual to look after you."*

In addition, the third participant made a gesture that the existing low quality of law enforcements in the CG arena in Saudi Arabia is no different than in any other area. En1: *"I say, the execution of the CG legislation is the same as the execution of any other law. Just like the traffic system ...etc."* Hence, the level of compliance with laws and their enforcement is a big issue in all aspect of regulations in Saudi Arabia as hinted by the well-experienced lawyer.

Moreover, regarding ease of litigation, low burden of proof, and specialty of court: a great example was given by one of the participants:

En3: "I know of a lawyer who handled a financial matter against a bank and he approached the Saudi Monetary Agency...So, they replied 'it is not our specialty'. Then, he approached the SCMA and they replied, 'it is not our specialty'. Then, he approached the court of Grievance and they replied, it is not our specialty'. Then, he wrote to the king: then, the king...commanded an appointment of a committee designating the specialty of the case. This committee was great but it stopped in a place -What happened? This majority shareholder [involved in the case] gave an order to sell his various shares via his bank but that command was not executed by the bank for a whole week which caused him to lose more money. This is the case in short! Why did the bank not execute the order? Why did it delay the order? The delay by the bank caused that investor to go bankrupt...The majority shareholder gave an order to sell. The bank, according to its regulations and laws imposed by the Saudi Monetary Agency, should have executed such a transaction on the same day. Why did the bank delay him for a week?... Unfortunately, banks do not treat all of their clients the same. So, who should hold them responsible? When the king asked for that committee to decide the specialty of the government organisation that was responsible to look into this case, he commanded the committee to be formed for this case only! But, due to some attempts, he kept the committee. Then, this committee did not study or figure out how to filter similar cases so that these [potential cases] can be rightly filed to the specialised organisation. Nor has this committee legislated how similar cases should be treated and by which governmental organisation!"

C. Assessment of Stock Market Development

- 1) *The effect of the existing Saudi CG laws regulating the problem of Selfdealing on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights.*

All participants agreed that the problem of insider dealing was a big one and very common in Saudi Arabia. In addition, they all agreed that the appropriate preventive measures had not been put in place to deteriorate the widespread practice of insider dealings. *En1: "Insider dealing is a big issue here. [For example] When it comes to a company that is about to pay out dividends, the people within will tell their friends that this company is going to pay dividends. Hence, before the announcement is made, the share price will go up...Our problem with the insider dealing is very big. And, you're telling me you could wipe it out at once; you can't unless insider dealing is considered a crime! ... Then, minority*

shareholders will be protected from the price fluctuations caused by the betrayal of loyalties within that specific listed corporation."

Moreover, the same participant expressed frustration regarding the level of fines imposed by SCMA, En1: *"financial fines are equivalent to 20,000 or 40, 000 SR. These are small un-detrimental fines...See, our problem is with the insider dealing. The disclosure exists, but the insider dealing is the problem. And, second is the culture of the minority shareholders!"* In addition, the other lawyer supported the insights of the previous participant regarding insider dealing, En3: *"unfortunately it exists and is very common. And, it is an evidence of owners' ignorance in running their listed corporations. Unfortunately, these owners don't possess high qualifications".* The same participant, then, provided further insights regarding the nature of disclosure provided by those listed corporations with regard to the concept of on-going disclosure of self-dealings. He illustrated this point thus:

En3:"Unfortunately, some people in the Ministry of Finance allow those individuals to present their [diluted] financial statements. Not only that, but also the public organisations with professional licenses in legal accountancy [referring to the Saudi Authority of Certified public Accountants and the Big Four accounting firms] are not serving the profession in good faith. They are not monitored and their punishments are not even imposed properly. They even produce fake financial statements. Ask me personally, because I did that myself for my clients. Yes, to serve a financial purpose of theirs. Why should I do so? It is because if I don't do as they say ' THERE MIGHT BE A CONFLICT OF OPINIONS BETWEEN PARTNERS'... Look, unfortunately, you cannot provide evidence against them in this regard. You can't because they deal with you [regarding this topic] through their employees and representatives. And, they always blame that employee for not being honest!"

In addition, the ex-legislator viewed the insider-dealing problem as being partially caused by the Minister of Finance's appointment. He explains, En2:*"He is one of those guys with political power or a companion of them who tries to please them. [Therefore,] minorities only have to wait for the orders to come from the top to tag along with whatever benefits majority shareholders".*

D. Convergence through Congruence

- 1) *The effect of expedited privatisation on the level of minority shareholder protection and adequate disclosure in Saudi Arabia, and its overall effect on the nature of listed Saudi companies' compliance with CG laws.*

Participants had mixed points of view regarding the expedited privatisation that took place in Saudi Arabia. One lawyer saw it as having a positive effect, En3:*" It is true the privatisation has been done*

fast. But it came with something positive on the capital market; it created liquidity and availability of shares. Before, there was none". Nevertheless, the ex-legislator views were that expedited privatisation was negative, he explained, En2: "privatisation in corrupt countries is a gift to the institutions of the corrupted class. Its effect [in Saudi Arabia] has been very negative I believe. At the end, it was a gift, to whom did [these institutions] go?" The ex-legislator further illustrated how this issue affected minority shareholders' rights, En2: "Privatisation has been done via the people's money. True, people have bought [shares] voluntarily in some corporations, but they cannot ask about anything regarding their shares. They don't have a representative either. We are a group of people with no community or union to represent us. When your voice is singular, you have no worth".

Moreover, regarding adequate disclosure, a cultural problem in reviewing the appropriate financial statements by minority was highlighted by the experienced lawyer. He explained: *En1: "even those organisations before they were privatised, they were disclosing their financial statements. So, the information was there, but minority shareholders don't know how to acquire the right information. Even if financial statements fall onto their hands, they are not able to read them".*

2) *The potential existence of interest groups, other than controlling families and institutional investors, may affect the CG level of convergence with international CG standards regarding minority shareholders' rights and ultimately the nature of listed Saudi companies' future compliance with CG laws.*

Both lawyers disagreed with the assumed positive effect of the existence of potential interest groups. *En1* gave the opinion: *"Perhaps, I would disagree with you on this".* The other lawyer addressed the manipulative existence of the current interest groups as an obstacle to the potential existence of other interest groups: *En3: "There are big beasts in the market. With their money, they play the market around. They bring the market up and down and shares prices up and down. They play as they please. Those have all doors open and nobody dares to get close to them."*

However, the same participant disagreed with the benefits of the potential existence of other interest groups: *En3: "you can't equalise the balance by adding and subtracting and 'adding and subtracting'. If you don't filter, clean, rinse the existent interest groups, things might not get straightened out. But, you have a problem, and you bring another problem to the scale to balance it out. You will just add to the problem".* Nevertheless, the ex-legislator was in favour; as he put it: *En2: "Indeed, indeed, anything that will aid in voicing the opinions of minorities and representing them will have a positive effect with no doubts. Anything that gives the voice of the minorities will play a role but still such voice does not exist as of now."*

Moreover, the ex-legislator further touched on the effect of bringing in appropriate CG laws regulating the rights of minority shareholders, such as the OECD principles in Saudi Arabia and how such laws are more likely to be nominal. He explained: *En2: "From a nominal point of view, we can bring these international laws and execute them. But, from a practical point of view, it will never happen... We are nominally beautiful. On paper, we are exposed. Any researcher and every knowledge seeker must know, don't rely on talk and papers in Saudi Arabia, but rely on practice".*

3) *Regarding whether or not the transfer of legal knowledge between the Saudi legal system pertaining to minority shareholders' rights and other systems might benefit the nature of listed Saudi companies' future compliance with CG laws.*

All participants were in favour of the effect of the transfer of legal knowledge as best put by the ex-legislator, *En2: "Indeed, indeed, I believe being open to globalisation, marriage of thoughts and international trade has a benefit. They may impose on us certain laws to reach their acceptable level of exchange"*

However, participating lawyers conservatively hinted that some caution was necessary in the application of international standards as what might have suited one country may not suit other countries: *En1: "You can't bring something from country A and execute it in country B. [Hence,] legislation should stem from within to fulfil our own needs". En3: "The process of transfer requires phases of transfers. Hence, when anyone considers this step, he must require extensive studies, analysis, and monitoring so that we won't have any loopholes."*

6.6.2 2. Political Factors

A. Political factors shaping CG

1) The effect of the Saudi proportional voting system on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights

Under this category, participants provided substantial evidence that Saudi Arabia's House of Consultancy resembles a right-wing *En2: "This [house of consultancy] is appointed. Its members are appointed by the government and appointed by people who they represent! [Members] are told to do this and that... They give him a great salary; hence, his role is to sing along". En3: "Look our parliament 'House of Consultation', the existence of its members is just a 'picture' and it was not in accordance with their preferences. It is the preference of the one who holds them".*

Hence, from the quotes above, it is apparent that the majority or perhaps all of the Saudi parliament's members do not represent a pro-CG left-wing or a segment of middle class as they are appointed by politicians to serve a conservative agenda. Therefore, their roles are to conform with what they are told to do. Moreover, those members as described by one of the lawyers as, *En3: "scholars in religion or other areas, and the elites of the public".* Hence, this reinforces the previous observation from the above quotes that the Saudi Parliament is dominated by a right-wing party composed of powerful elites of the public.

In addition, legislation in Saudi Arabia is reactive to current situations as expressed by one of the lawyers, *En1: "Legislation here stems from a problem. However, the effect of certain individuals having a hand on legislation I see this as the biggest door for chaos".* Therefore, when there is a problem, the House of Ministers appoints a special committee of experts to look into the issue. Then, *En1: "the committee of experts, in the House of Ministers, is the one which prepares the draft: They are the once who suggest. Then, that draft goes to the House of Consultations and its members vote on it based on the views of the committee of experts. Then, the draft goes back to the committee of experts. Then, they refer it to the House of Ministers to approve it".*

In summary, it is clear that 'appointment of members' is the dominant technique of recruiting in the Saudi Parliament, including the House of Ministers and the House of Consultations. Moreover, as explained by the ex-legislator, *En2: "[legislations] are issued by a royal decree from the top. Hence, these decrees were not carefully considered on many dimensions including appointment of members".* Therefore, the level of policy swing is speculatively low as legislation is politically shaped by 'un-institutionally' appointed members of parliament.

2) *The effect of Saudi Arabia's Institutions on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights*

All participants saw this effect as negative, as stated clearly by one of the lawyers: En3: "*It leans towards negativity*". In addition, the well-experienced lawyer shed some light on one of the root causes behind this perceived negativity by all participants. He stated: En1: "*Our problem here in Saudi Arabia is not a problem with the government. It is a problem with the government's service sector which falls short on its responsibilities*".

Moreover, the ex-legislator provided an insight regarding the nature of these institutions, En2: "*the biggest and strongest institutional role is preserved for the religious institution. It has a major role, and it has got claws...they are normally taken into account by the decision makers when about to make decisions, which are, at the end, nominal decisions. This is the only institution with an effective role. The other governmental institutions have no worth.*"

Moreover, controlling families are also considered as institutions as perceived by one of the lawyers and the ex-legislator. Their answers regarding that questions included: En3: "*true, true, true*". And, En2: "*indeed, very much so*".

In addition, when participants were asked if the lack of effective public institutions, other than the religious one, might have slowed the existence of potential interest groups capable of improving the status of minority shareholders' rights in Saudi Arabia, one of the lawyers stated: En3: "*well, here, you have entered into practical procedures aimed at growth obstructed by political factors. Exactly, but again back to our first point, there are no such clear governmental organisations or institutions where minorities can go, refer to, or approach for their sakes*". He further explained: En3: "*unfortunately, we are in an environment where you have to knock the doors of different governmental organisations [to find out which organization is responsible for the protection of minority shareholders]. There should be a clear governmental organisation for minority shareholders where they could voice their opinions.*"

Moreover, the lawsuit which was filed by a lawyer, participant (En3) knew of, against a Saudi bank, upon which this lawyer approached different Saudi institutions and they replied that the issue was not within their speciality as mentioned under the effect of the quality of law enforcements section, explains the dimensional effects of this dilemma even further. It exposes the weak legal infrastructure of Minority shareholder protection in Saudi Arabia.

3) *The effect of interest group lobbying on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights.*

Out of all participants, the ex-legislator was very clear and insistent that the two dominant interest groups in Saudi were 1) controlling families and 2) the religious institution. This observation was stressed throughout all sections touching on relevant topics. Here, he further emphasises this phenomenon ironically: *En2: "I only know of two interest groups in Saudi who are capable: the religious institution and the rich people. Let me tell you an example here in Saudi, teachers represent a large segment of the population. Still, they don't have a union or an association that represents them to have their rights! They have rights, which they have been tracing for 20 years, and they have not got a penny yet. Because, they are not capable of taking any industrial action [class action]. They can't, their claws as citizens and unions are ripped out of their places. So, how can you have such power?"*

Moreover, the ex-legislator's evidence was well substantiated through evidence provided by other participants that current interest groups are creating barriers to entry and future policies for foreign investors. Hence, they are de-promoting private initiatives: pro-diffusion and ultimately the positive effect that foreign investors might have on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholder's rights. One participant illustrated this: *En3: "now the Saudi Arabian General Investment Authority has opened the door for all foreign corporations to come here on their own without the need to have a local partner. Why do you tax them 20% a year! They came to Saudi and opened up their businesses, built their facilities, and factories. But, do they sell and buy on their own? No... They still out-source distribution, storages, and contract big supermarkets such as Aldanub, Manuel, Abo Dawod, [for instance]. These supermarkets [ironically] take supplies from them and they impose a quota on their production and what to produce. This has made international corporations not foster the idea of selling or buying on their own in Saudi Arabia. If there were such legislation, those [international corporations] could handle this whole task on their own!"*

In addition to that the other lawyer stated: *En1: "honestly, these companies faced difficulties, most of my clients are foreigners... Seriously speaking, go on the website of the Authority of Investments- which I call the 'authority of hell'. You will see 'big lies' red carpeted. Once you step foot in this country, you find things are too fuzzy. They [government agencies] will conflict each other. So, we are speaking of a political system promoting foreign investments, but you will be faced by bureaucracy and governmental organisations that are self-driven. Everyone [referring to governmental agencies] has their own legislations. I know of some international companies, which came and stayed for 2,4 or 5 years. They could not even get 'A' project. These are big corporations- they may have got one project*

and they acquired their licenses. But, the simplest thing such as bringing their equipment across the Saudi border, they were not capable of!"

4) *The effect of the level of Saudi government involvement in the economy on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights?*

All participants agreed that the Saudi economy was a mixture of a centralised and free economy even though it leans towards a centralised economy, as the economy is dependent on relationships.

En3: "[Do] we have a centralised economy or a free economy? Here, we have a big mix between the two." However, the same participant stated that, *En3: "unfortunately. This is a country of relationships"*. Hence, this is direct evidence of a centralised economy.

In addition, the level of the governmental involvement, as described by the ex-legislator, is: *En2: "not partial, it is 100 percent direct. It is essential. Our government has exclusive power over the market."* Moreover, when participants were asked how the direct governmental involvement in the economy had aided CG compliance, one participant stated: *En3: "[CG laws] exist but their effect is very weak though. It is not just a picture. It is becoming to be apparent. They have established its pillars but its acceptance by the individuals with governmental power is! ... They try to fight it"*.

Moreover, the ex-legislator provided some insights regarding the apparent low level of CG compliance caused by governmental interventions not being efficient in this regard. He explained: *En2: "It is a cause of its short-term vision. This is what is causing corruption. However, if the government was mature enough, then, it is for the benefit of all to apply the laws and criteria that will lead to balanced powers: creating a healthier environment for trade for both big and small [shareholders]. But, when it [referring to nature of interventions] is for the dominantly powerful groups at the expense of the other less powerful groups, it is an end"*.

Overall, two participants saw the level of the Saudi government's involvement in the economy on the nature of listed Saudi companies' compliance so far to have been negative. In fact, only one participant saw it as positive and explained his logic thus: *En 1: "It has been positive indeed. The government hand has to be strong. Look at America and the collapse happening there; it is all because the market was legislating for itself. So, we need the strong man to control us. Without him we are lost"*.

5) *The effect of the absence of a Constitutional Process on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights.*

Law practitioners seemed to have a mixed view on the current political system in Saudi Arabia and whether or not it formed a solid constitution that suited the nature of its society. One lawyer argued that: En 1: "*we have a constitution...It exists and it tells how legislation is to be made and executed. It is there. People just misunderstand... Because we, as Muslims, our Constitution is the Quran. But, the Quran, you can't execute it as is. It is filled with enlightenment and wisdom and you can't execute it as is...We have the legal political system and it includes everything written in 1412. It is a complete constitution*".

Nevertheless, the other lawyer questioned this so-called Islamic oriented constitution by saying: En3: "*truthfully, here, comes the issue of having an existing constitution and legalisation of Islamic principles- why, I am saying there is a mix which is because people interpret Islamic legislation as they please. But, if the government along with an Islamic committee agreed on regulating and legalising Islamic principles, then, it would be possible to agree on specific interpretations of Islamic legislations. Based on it, they will have created a solid constitution even if you don't call it a constitution...Unfortunately, they don't want to do so to leave the doors wide open to let the interpretations be in accordance with their [desires] and moods. It's got nothing to do with politics but with the mood!*"

From above, it can be interpreted that both law practitioners were skeptical over the applicability of this so-called constitution in Saudi Arabia. They both directly admitted the difficulty of interpreting Islamic legislation found in the Quran. Nevertheless, they both still perceived it as a constitution even though what is 'available' does not explain how power is distributed legally over the whole spectrum of the population. Hence, this is the point the ex-legislator was emphasising: En2: "*[Having a clear constitution] is a principle factor. This will improve the economical and political dimensions in any country. It will even lead to the distribution of power between people instead of having the power in certain hands of the population. Hence, decisions will be more mature*".

Therefore, it can be interpreted that the existence of this so called Islamic-oriented constitution, in terms of not showing how power is distributed legally and the intentionally vague interpretations, is equivalent of having no constitution. Hence, this lack of a solid constitution creates potential governmental inventions by centralised authorities (Gourevitch, 2008). This observation is substantiated by the word choice "*moods and desires*" as used by one of the law practitioners as the reason behind the government not agreeing with the religious committee on specific interpretations of

Islamic legislation stemming from the Quran. Perhaps, this can explain the inefficient governmental involvement in the economy to improve the level of CG compliance of listed Saudi corporations.

B. Political Economy

1) The effect of the size of private benefits of control on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights

Evidence of high surplus extracts was suggested in the Saudi Stock Market at the IPO stage as illustrated by participants: *En1: "For instance, Almoajel Company, they inflated their share price at the IPO stage when it was worthless. The portion that was sold was triple the value of the corporation itself! They had a problem and it was stopped last year because their losses exceeded their capital. [it was] very exaggerated". En2: "Indeed, it is very apparent, very apparent because the whole process is involved with insider deals and insider information. There is no protection, and no one has been judged... We see people buy and sell in the market based on insider information. Indeed, those guys with private benefits are destroying the market indeed". En3 agreed with this proposition, remarking: "Oh yes".*

Moreover, it is not surprising to see this large degree of private benefits of control when the existing institutions are weak, and the law is lax as it does not fine offenders for inside dealings properly, as explained by one of the lawyers, *En1: "The same fine company A gets, company B will get as well. But again... 'it is still a small amount'. For instance, in insider dealings, or share price manipulations: you sell when the share price is high and when it drops you buy it back. In Europe and advanced countries, they will catch you for that. The difference you made [arbitrage], you have to return it. But here, when it happens, they fine offenders 10,000 SR whereas those offenders have already made 60 or 70 millions out of such wrongdoing!.. So, it goes back to the lack of proper law".*

In addition, a further insight was shed by the same lawyer explaining the logic in the Saudi market when it comes to the IPO stage, *En1: "Here, usually, the announcement of the IPO is for the founders to leave the corporation. Or, perhaps, their corporations would have no future! For example, in ten years, the technology of that corporation won't aid it. You see, it would need a big chunk of money to be reinvested and the profit expected is not worth it. Here, they [the founders] try to get rid of it."*

2) The effect of having a persuasive political voice in creating a concentrated ownership structure and its overall effect on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights.

All participants agreed that the need of a persuasive political voice was essential for the success of listed corporations in Saudi Arabia: *En1: "Yes of course, you will NEED a big shoulder. For example, Ateb Corporation, which has been bearing lots of losses and many other problems, has the presence of such and such on the board served them well? I am just saying having a big name at the IPO stage gives comfort to potential shareholders. That's all, but after that, you deal with numbers not with people". En3: "First of all, you have not reached this governmental and financial position except by your network".* Hence, this participant was hinting at how some founders of big corporations reached such high financial status via their political networks.

As a result, it is really difficult for potential entrepreneurs seeking external capital to succeed in the Saudi Capital Market without having a persuasive political voice. Moreover, this realisation sheds light on the excessive control by states and families and their cumulative contribution to crony capitalism and promotion of concentrated ownership structure. Hence, the overall result is a negative effect on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights.

3) *The effect of constant reinforcement by the Saudi Government and controlling families for each other on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights*

One participant disagreed with the logic of this effect and doubted its existence in Saudi Arabia without providing relevant evidence. Nevertheless, the other two participants acknowledged the existence of such reinforcement to a degree and they provided further insights into the nature of this effect. *En2: "Look, those controlling families are the ones who protect their immunity in the government. It is not like the government has a policy for them. But rather, those families are powerful, and their powers allow them to get into legislation. Hence, whatever is for their benefit will happen and what does not benefit them, will not? This is because their voices are well heard". En3: "Look, it does unite the ruler with certain families and this is politics. Honestly, the Saudi government was created upon this [referring to King Abdullaziz, the founder, and how he acquired the help of the big tribes's leaders to establish Saudi Arabia as a country] ...It is true. How they [referring to commercial families] rely on their culture: they always rely on someone close to the ruler to protect them. So, it comes back to the same circle again".* Hence, the effect of the law becomes minimal in such an environment and culture becomes an alternative substitute for the law (Coffee, 2001).

C. Propositions

What kind of institutional mechanisms of curbing private benefits of control can have a positive effect on the nature of listed Saudi companies' compliance with CG laws pertaining to minority shareholders' rights

1. Courts

All participants envisioned potential specialised courts with ‘authoritative and administrative powers’ as being infrastructurally necessary to improve the level of listed Saudi corporations’ compliance with CG laws pertaining to the rights of minority shareholders. One of the participants illustrated this:

En1: "Let me tell one thing, SCMA should be headed by a judge. ... This is to activate the role of the financial lawsuit transactions. This CG compliance department at SCMA, you want its role to be 'active'. Or, let's say 'cancel them out of SCMA and implement such departments in Commercial Courts', it will be better. Why is because you need a court to justify you. Nothing is more detrimental than the judgment of a court".

2. Unions

Two participants: one of the lawyers and the ex-legislator favoured the existence of unions and regarded it as essential in the process. *En 2: "Indeed, unions will give those who don't have voices –a voice to protect their rights. It will give them the negotiation power and ability to have a voice... Their political voice will make part of the process of legislation which they are [currently] distant from". En 3: "Labour unions, creating a labour union [referring to one of the ways to improve the level of CG compliance of Listed Saudi Corporations]. You cannot approach things in this country via trade and the capital market".*

3. Diffusion of the Press- Media

All participants expressed a negative perception of the media based on their exposures.

En2: "Globalisation and media is not an absolute virtue or evil. If the infrastructure you have is good to protect people and the law, you will take the best out of them. But, in countries like this, the negative effect will outweigh the positive effect". En3: "Believe it or not, the media, in the world, is it free or not? [I replied free]. He then asked; Give me any other country in this world besides Saudi Arabia that has a Ministry of Media".

En1: "Look, this is more blackmailing. This is my intake. This is all blackmailing from start to end. Yes, the Saudi journalists, I am not saying all of them but most don't move unless they have a personal gain in it. At the end, he [referring to any journalist] is just a journalist, a paperboy, and empty talk. And, I don't think it has any effect".

4. Better Accounting Standards

En3: "Look, having accounting standards is very important. But, if there is no authority with legislative and administrative powers to create the necessary laws, then, you are hiding from this responsibility".

6.7 Chapter Summary

The state of CG enforcement in terms of its legal rules and their enforcements (La Porta et al., 1997) is lacking a judgmental authority as implied by the low level of execution of CG laws in Saudi Arabia. Moreover, the current legal environment guiding the CG procedures in Saudi Arabia attaches a low level of significance to minority shareholders, which is indicative of an agency conflict between controlling shareholders, families, and minority shareholders (La Porta et al., 1997).

Moreover, as indicated by the qualitative evidence, ease of litigation, low burden of proof, specialty of courts, and access to information to examine self dealing by minorities (Djankov et al., 2008) are basic legal privileges not provided to Saudi minority shareholders by the Saudi legal environment.

Moreover, the arms length approval by disinterested shareholders (Djankov et al., 2008) in legal proceedings is considered an unprecedented practice in the Saudi Legal environment.

In addition, all participants agreed that the problem of insider dealing was serious and very common in Saudi Arabia, and it is the central problem of CG (Djankov et al., 2008). As a consequence, when examining the criteria for the quality of legal protection provided to Saudi minority shareholders, such as effectiveness, in regulating self dealing transactions, appropriate disclosures via private channels and public enforcements, the conclusion is reached that not only is the Saudi legal environment premature but also directors of listed Saudi corporations have not been meeting their fiduciary duties to the best of their knowledge (Djankov et al., 2008).

Hence, it can be interpreted that functional convergence, and the transfer of legal knowledge via globalisation, will not have a positive effect in Saudi Arabia. Unless a reform of the legal environment takes place in terms of: ease of litigation, establishment of specialised courts, appointment of competent qualified judges, and creation of awareness programmes for minority shareholders' rights. Moreover, as it stands, the quality of law enforcement regarding the means of redress by minority shareholders is very low due to the weak legal infrastructure of Minority shareholders' protection put in place in Saudi Arabia.

In addition, the qualitative evidence provided by participants indicates that current interest groups such as wealthy families have created barriers to future policy in Saudi Arabia (Claessens et al., 2000). Those well-lobbied interest groups are found to aid in the de-promotion of private initiatives and a barrier to genuine interest in foreign investments worldwide (Gourevitch, 2008).

Furthermore, the absence of a solid constitution in Saudi Arabia creates potential for governmental interventions by centralised authorities, weakens popular pressure to safeguard shareholders' rights and promotes block-holding model of corporate control (Gourevitch, 2008).

Moreover, evidence of constant mutual reinforcement by the Saudi government and controlling families (Coffee, 2001) was provided sporadically throughout the interviews. Nevertheless, it was clarified by the majority of participants that those controlling families, En2: "*are the ones who protect their immunities in the government. It is not like the government has a policy for them*". Therefore, the majority of participants suggested the promotion of unions and regarded it as essential in the process of curbing the private benefits of control enjoyed by controlling families.

Overall, the qualitative findings of this chapter have corroborated the quantitative findings in the previous chapter in terms of shedding lights on other factors, such as the legal and political, influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of minority shareholders' rights. Moreover, such corroboration has exposed the depth of the issue being explored by this research via the research questions. However, the relations between the qualitative findings and quantitative findings will be fully integrated in the following chapter, chapter 7: the conclusion chapter. This chapter will apply the main research theory, New Institutional Sociology. Hence, the application of such theory will show how organisations legitimise themselves by conforming to societal values while exposing how elites can legally and politically define appropriate models of organisational structures and policies which then go unquestioned for years to come (Scott, 1987, 1995).

Chapter Seven: Research Conclusion

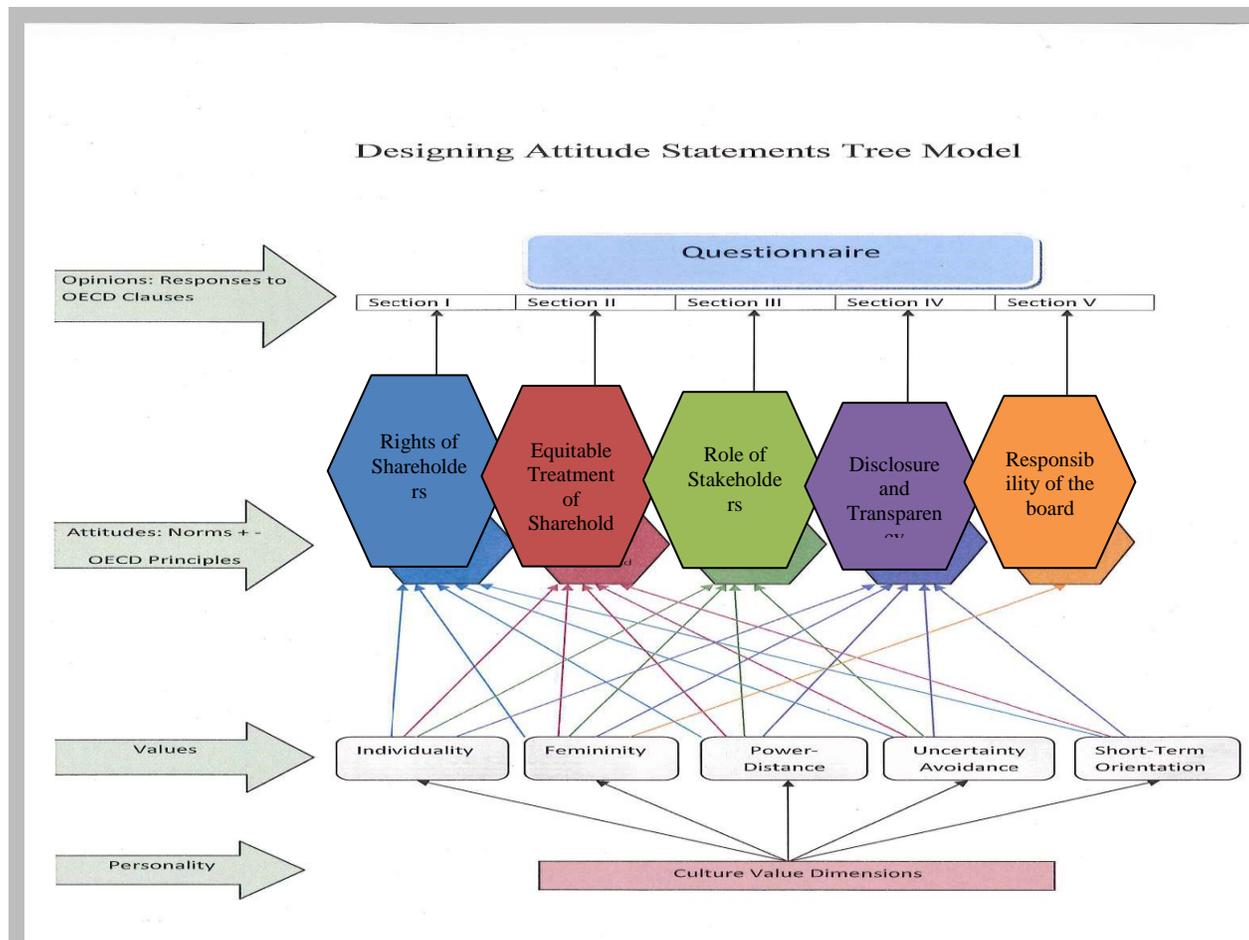
7.1 First Research Question:

- 1- To what extent do available cultural models (for example Hofstede, 2010) explain the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia?

7.1.1 Answer:

In order to answer the first research question, a questionnaire was constructed in line with the normative values composing the New Institutional Sociology theory because CG systems are highly influenced by cultural values and norms which can be best explained through the institutional system as a class of elements (Scott, 1987, p.5).

Figure 7.1: Designing Attitude Statements in Light of OECD Principles and Hofstede's CVD



Source: The Author

In addition, the questionnaire was designed using variables comprising the minority shareholder's protection index found in the OECD principles of CG and corresponding to other indices aimed at measuring the level of minority shareholder's protection found in prior studies such as La Porta et al.'s *Anti-director Rights Index* (1997, 1998, 2006) and the *Index of Self Dealing*, derived from the historical legal principle of fiduciary duties, by Djankov et al., (2008) who observed:

"self-dealing is the central problem of corporate governance in most countries, the law's effectiveness in regulating this problem is the fundamental element of shareholder protection. Not to mention, regulating self-dealing is compatible with any legal system, and is appropriate for both rich and developing countries"(Djankov et al., 2008).

Therefore, the elements of the constructed index for this study, inclusive of both indices, are: 1) Transparency, 2) Disclosure, 3) Directors' compensation, 4) Basic shareholder rights, 5) Equitable treatment of shareholder rights, and 6) Basic shareholders' rights corresponding to profit measures.

In addition, each of the variables of the questionnaire was assigned to the applicable dimension in accordance with Hofstede's (1980-2010) criteria (see Appendix B10). As a result, the questionnaire as a whole via the Mode of the descriptive statistics was capable of measuring the CVD of the Saudi shareholders based on the OECD principles of CG pertaining to minority shareholders' rights. Not only that, but the measurements were in confirmation with Hofstede's et al. (2010) findings.

Table 7.1: CVD of Saudi Shareholders based on OECD Principles of CG Using the Mode

	Individualism	Power Distance	Uncertainty Avoidance	Masculinity/ Femininity	Long Term Orientation
Hofstede	25	95	80	60	36
This study	49	75	74	48	32

Source: The Author

Moreover, the researcher contacted Hofstede to inquire about the higher score found under the *Individualism* dimension and was advised by Hofstede (email, March 12th, 2015) that, "at the national level, individualism increases with per capita national wealth".

In addition, table 7.2 below using the Mean of the descriptive statistics along with the design leading to the results were communicated to Hofstede via email and he implied no concerns in this regard (see Appendix D3).

Table 7.2: CVD of Saudi Shareholders based on OECD Principles of CG Using the Mean

	Individualism	Power Distance	Uncertainty Avoidance	Masculinity/Femininity	Long term Orientation/ Short Term Orientation
Hofstede's Results	25	95	80	60	36
This Study's result	51.2	80.1	79.8	55.7	30

Source: The Author

However, it should be noted that the researcher opted for using the Mode when reporting the results of the CVD of Saudi shareholders within this research as the Mode represents the score that occurs most frequently in the data set. Furthermore, what is implied from the descriptive findings of this study is that Hofstede's (1980-2010) CVD framework is capable of measuring content specific constructs such as the OECD principles of CG to produce relevant information regarding Saudi shareholders' CVD.

Moreover, it should be noted that Hofstede's (2010) view of the limits of his CVD framework is that they can only be valuable on a macro level, which in his correspondence to the researcher noted via (email, March 16th, 2015) when he was asked by the researcher, (see Appendix D3 for all emails).

"Considering your warnings against confusing levels of analysis, when I attempted to major the Saudi *Cultural Value Dimensions*, I split my data for further statistical analysis on groups to strengthen my findings. The descriptive statistics showed an anomaly only between the groups of Majority and Minority shareholders. Hence, I performed further tests and found the distribution of each CV dimension, except for individualism, was not the same when comparing the groups of Majority with Minority shareholders. Hence, significant correlations emerged. The non-parametric test of *Kruskal-Wallis and Man U Whitney* showed that Minority shareholders scored 50 % higher on average on *Power Distance, Uncertainty Avoidance, and Femininity* dimensions compared to Majority shareholders"

Hofsted Reply was (email, March 18th, 2015),

"Dear Mr Alfordy, these national dimensions do not apply to groups like minority and majority shareholders... The dimensions approach belongs to organizational anthropology, whereas your study [referring to the comparison between groups] belongs to organizational sociology" (Hofstede, email, March 18th, 2015).

The following is the researcher's reply (Hofstede, email, March 18th, 2015):

"Initially, my study aimed at exploring the effect of organizational anthropology pertaining to Saudi Arabia on the nature of CG compliance and its level. In fact, the corporate governance literature has been enriched by the use of your dimensions in this regard including the referenced work of Semenov (2000) in Hofstede (2001). In fact, the majority of my study falls within that line of investigation. However, breaking down the analysis and applying the national dimensions to groups like minority and majority shareholders is... where I tried to move from a macro-investigating level of anthropology to more of a micro-sociological level...I admit that's where I disagreed with the literature on the applicability of your national dimensions being "static" or even applicable only on a "macro scale... I have been highly influenced by the approach of Amir Licht [(2001)]who has referred to your work as valuable in understanding social institutions. He has theoretically switched focus between anthropology and sociology on values and their dynamics, stating "national cultures can be seen, metaphorically,

as the mother of path dependence dynamics in the sense that they play a role in both the origin and in future development of corporate governance systems ... In their very essence, values *are* social norms, as social norms affect individual behavior and social institutions" (Licht, 2001)."

As it can be interpreted from above, the reason why Hofstede limits the application of his CVD framework is not due to a pure statistical logic but because he views his dimensions play a role only in the origin of values as most anthropologists believe. However, other contributors to this debate such as Licht (2001) sees that national cultures are more dynamics and they play a role both in the origin and the future developments of CG systems worldwide. Moreover, this is why Hofstede does not, "envision the effect of "Modernization" as Karl Marx proposed leading to the convergence of values with economic developments to be responsible for potential changes in the numeric measurements of your CVD (*assuming effects of Media and Globalization are inevitable in the process*)?" (Hofstede, email, March 12th, 2015) He states, "No, I have followed value differences for almost half a century, and I did not see convergence" (Hofstede, email, March 12th, 2015).

Therefore, in the researcher's view and in the view of other contributors to this debate such as Licht (2001), and Patel and Rayner (2012), there are more national cultures and social groupings than those at the macro-anthropological level to which Hofstede restricts himself. In fact, when Hofstede was asked about the work of Patel and Rayner (2012) and their social groups, he replied, "Unfortunately I am not familiar with this subject, and presently my priorities lie elsewhere" (Hofstede, email, March 12th, 2015). Hence, the researcher has applied the CVD framework to more highly restricted social classes and grouping which Hofstede in his reply would contest but which the researcher believes naturally follows from the construct definition that forms the CVD framework. Hence, There is no unequivocal answer apart from the pragmatic one that the CVD framework appears to capture well "cultural nuances" at such group level used in this study.

Hence, such proceedings entailed a theoretical contribution firstly in substantiating the value of CVD framework at a micro sociological level, secondly in the assignment of Hofstede's dimensions to the OECD principles of CG (see Appendix B10), and, thirdly in the quantification of Institutional theory, which is deemed "difficult to measure" (Hoque, 2006, p. 197). For instance, this study takes advantage of the elements composing Institutional theory such as cultural values and norms as prescribed by its founders, DiMaggio and Powell (1983) and Scott (1987), and integrates such constructs into the well-known CVD framework of Hofstede (1980-2010). As such, the study recognises the observation that "institutionalization is rooted in conformity—not conformity engendered by sanctions ... but conformity rooted in the taken-for-granted aspects of everyday life ... fundamentally, meaningful behaviour" (Zucker, 1983, p. 5). As a result the questionnaire, via the descriptive statistics, was capable

of measuring the CVD of the Saudi shareholders based on the OECD principles of CG pertaining to minority shareholders' rights.

Moreover, Hofstede's (1980-2010) CVD framework was chosen, after a thorough review of the relevant literature (see Appendix B1), to provide a rigorously suitable mean to reveal potential relations between Saudi national culture, based on a sample of Saudi shareholders, and the quality of the exercise of minority shareholders' rights, as defined by the OECD, in Saudi Arabia. Not only that, but Hofstede's (1980-2010) CVD framework was found capable of providing "a theory-driven, universally validated operationalization of fundamental societal orientations [enabling] us to derive and empirically test hypotheses about relations between national culture and corporate governance" (Breuer and Salzmann, 2012).

Hence, a set of hypotheses generated by SPSS and motivated by the relevant literature review (see Appendices C7, C8 & C9: Appendices B1, B2 & B3) was developed to answer the first research question. These Hypotheses are:

1. **Hypothesis 1:** The quality of the exercise of minority shareholders' rights, as defined by the OECD principles of CG, is low in high COL Cultures such as the Saudi.
2. **Hypothesis 2:** The quality of the exercise of minority shareholders' rights, as defined by the OECD principles of CG, is low in high UA Cultures such as the Saudi.
3. **Hypothesis 3:** The quality of the exercise of minority shareholders' rights, as defined by the OECD principles of CG, is low in high PDI Cultures such as the Saudi.
4. **Hypothesis 4:** The quality of the exercise of minority shareholders' rights, as defined by the OECD principles of CG, is low in high MAS cultures such as the Saudi.
5. **Hypothesis 5:** The quality of the exercise of minority shareholders' rights, as defined by the OECD principles of CG, is low in low LTO cultures such as the Saudi.

7.1.1.1 Answer to the Five Hypotheses:

1. *Individualism*

Saudi shareholders scored 49 on the *Individualism* dimension using the Mode. This mid-level score is reflective of the high level of *Collectivism* of Saudi Shareholders as suggested by Hofstede's et al., (2010) score of 25 on this dimension.

Furthermore, what is inferred from the *Individualism* score of this study is that the expected level of transparency and disclosure was low in Saudi Arabia. As a matter of fact, most of Saudi listed corporations comply with the minimum mandatory requirements of disclosure, while assigning little significance to voluntary disclosure (Al-Saeed, 2006). In addition, the quality of reporting in Saudi Arabia is at a very low level with an average score of 36 % regarding mandatory disclosure, and an average score of 32 % regarding voluntary disclosure (Al-Janadi et al., 2012).

Moreover, the Minority shareholders' score was higher on this dimension as compared to Majority and Sophisticated shareholders using the Mean. The Mean of Minority shareholders on this dimension was 52.2, Sophisticated 51.5 and Majority 47.6.

Even though there is a slight difference in the level of *Individualism* found in each of the Saudi shareholder groups using the scores derived from the descriptive statistics, the non-parametric test of *Kruskal-Wallis and Mann-Whitney* show that Minority shareholders scored 71% and 68% higher on *Individualism* compared to Majority shareholders respectively. This result implies a high level of information asymmetry between managers and insider investors (Majority shareholders), at the expense of outside investors (Minority shareholders). It also implies the need for greater transparency and disclosure to establish a better reward allocation system based on equity, equal rights and protection for all stakeholders in Saudi Arabia.

In addition, the *Fisher hypothesis* test shows a significant correlation between *Individualism* as a dimension and information awareness. Undoubtedly, the amount of information provided through transparent and extensive disclosure helps shareholders make informed decisions regarding their investments. Hence, their high level of risk taking will accordingly be better rewarded on equity. Hence, the amount of information provided through transparent and extensive disclosure promotes and enhances *Individualism* in discouraging information asymmetry benefiting insider investors. This result is confirmed by Griffin et al.,(2014) "assuming a causal relation, a one standard deviation increases in individualism increases the accountability and transparent disclosure index by 0.311 standard deviations".

Overall, support for **Hypothesis 1**, the quality of the exercise of Minority shareholders' rights, as defined by the OECD principles of CG, is low in high COL Cultures such as the Saudi, is found via the descriptive statistics, and *Kruskal-Wallis and Mann-Whitney* tests as indicated and supported by the relevant literature.

2. *Uncertainty Avoidance*

Saudi shareholders scored 74 on the *Uncertainty Avoidance* dimension using the Mode. This score reflects the high level of *Uncertainty Avoidance* among Saudi Shareholders and is confirmatory of the score of 80 found by Hofstede et al., (2010) for Saudi culture as a whole.

Hence, a high score on this dimension, as was the case in Saudi Arabia, entails a preference for "rigid codes of belief and behavior" (Hofstede et al., 2010). The logic behind this observation stems from "an emotional need for rules even if the rules never seem to work" (Hofstede et al., 2010). Hence, security is a key element to shareholders' motivation in countries scoring high on *Uncertainty Avoidance*. This

is clearly noticed in the amount of rules guiding the accounting profession in Saudi Arabia. More than a few Saudi governmental agencies play key roles in setting the stage for implementing appropriate CG standards in Saudi Arabia and are still considered as crucial for future CG legislation such as SCC, SMCI, SOCPA, and SHEC, as discussed in Chapter 2. Nevertheless, when there is a CG conflict to be resolved in Saudi courts of law, this CG case is more likely to be judged on Islamic principles.

“ The dual legal system is problematic and it affects audit performance: Shari’ah Courts here are not capable of solving auditing disputes not only due to their lack of awareness of the auditing profession but also their ruling is based on their knowledge and interpretation of fiqh [Islamic jurisdictions]... Having two types of judges with differing judicial backgrounds and forcing judgments to be made on two ‘incompatible’ sets of laws have caused confusion and frustration (Vogel, 1993)...A lack of faith in the dual legal system and a lack of consistency in solving disputes have caused many foreign companies to specify in their covenants that any disputes should be solved according to the law of their home country” (Al-Saleh, 1994 cited in Haniffa & Hudaib, 2007).

Consequentially, a high level of compliance with CG procedures will not necessarily aid a Saudi listed corporation’s case in a court of law, especially when there is a confusing dual legal system in place.

Minority shareholders scored higher on this dimension as compared to Majority and Sophisticated shareholders using the Mean. The Mean of Minority shareholders on this dimension was 82.1, Sophisticated 79 and Majority 72.8. Even though there was a slight difference in the level of *Uncertainty Avoidance* found in each Saudi shareholder group using the scores derived from the descriptive statistics, the *Non-parametric tests of Mann-Whitney and Kruskal-Wallis* show Minority shareholders scored 96% and 100% higher on *Uncertainty Avoidance* as compared to Majority shareholders respectively. This result shows a high level of uncertainty among Minority shareholders compared to Majority shareholders in Saudi Arabia. Similar to the *Individualism* dimension, this result implies a high level of information asymmetry between managers and insider investors.

In addition, Minority shareholders attached lower significance to requesting information directly from Saudi listed corporations as compared to other groups such as creditors who highly value direct information from corporations due to their premium position to acquire information directly from listed corporations (Al-Razeen & Karbhari, 2004).

Moreover, previous research has found that people from high *Uncertainty Avoidance* cultures value ethical values set by themselves within a group membership. Consequently, they find it hard to respect or comply with ethical guidelines set by outside members (Schepers, 2006). As a consequence, CG rules that are set to serve all stakeholders have been found to score low in countries with high levels of *Uncertainty Avoidance* such as Saudi Arabia, which averages 36 % on the quality of reporting regarding mandatory disclosure (Al-Janadi et al., 2012).

In addition, the *Fisher hypothesis* test shows a significant correlation between *Uncertainty Avoidance* and Information Awareness. Speculatively, the amount of information provided through transparent extensive disclosure reduces ambiguity. In turn, this reduces the level of uncertainty among Minority shareholders, and their overall *Uncertainty Avoidance* level as they are provided with the appropriate level of information to make informed decisions. Hence, such appropriate disclosure and transparency, accompanied with the right level of compliance, will aid in discouraging information asymmetry benefiting insider investors. This result is confirmed by Griffin et al., who state “assuming a causal relation; a one standard deviation increase in uncertainty avoidance decreases the accountability and transparent disclosure index by 0.298 standard deviations” (2014).

Moreover, the descriptive statistics of this study implicitly confirm the above causation, showing that 63% of Saudi Minority shareholders were aware of less than 10% of their rights and the other 37% were aware of 20-30% of their rights. Hence, it is not surprising to find their *Uncertainty Avoidance* level was 96% higher when compared to Majority shareholders as shown via the *Mann-Whitney* test. On the other hand, 75% of Saudi Majority shareholders were aware of 70-80 % of the OECD principles of shareholder’s rights and the other 15% were aware of 90-100% of these rights, which explains their overall lower level of *Uncertainty Avoidance* compared to Minority shareholders, as indicated by the *Mann-Whitney* test.

Moreover, the documented causation between *Uncertainty Avoidance* and the strength of Minority shareholders’ protection via the relevant literature is reasonably justified by the findings of this study. The overall distribution of *Uncertainty Avoidance* was not the same across all categories of shareholder types as the *Kruskal-Wallis* test indicates. This finding is consonant with the findings of Griffin et al., (2014) that “assuming a causal relation, a one standard deviation increase in uncertainty avoidance reduces the Minority shareholder protection index by 0.332 standard deviations”. On the other hand, low *Uncertainty Avoidance* cultures are associated with greater level of Minority shareholder protection (Licht et al., 2005; Lubetsky, 2008). Hence, people in low *Uncertainty Avoidance* cultures are more encouraged to speak about poor governance practices and, in turn, corporations are "more accustomed to handling such diversity, conflict, and feedback from shareholders" (Sweeney, 2008).

In addition, the dimension of *Uncertainty Avoidance* was found to have a significant relationship with ownership concentration in previous research. The logic behind the association is that when *Uncertainty Avoidance* is high in such cultures, large shareholders will be less willing to take risks. Hence, they devise concentrations of equity ownership as a mechanism to protect themselves against ambiguities (Aguilera et al., 2011). This logic is tested and confirmed by Licht et al. (2005) and De Jong and Semenov (2006). Moreover, issues of compliance and disclosure with CG principles in listed

Saudi corporations partially stem from a highly concentrated ownership structure within the country (Al-Zuhair, 2008), meaning that CG legislations in Saudi Arabia “ is still slowly moving from voluntary to obligatory as family-owned firms are stifling corporate growth by their reluctance to open their equity to outside shareholders” (Koldertsova, 2011).

Overall, support for **Hypothesis 2**, the quality of the exercise of Minority shareholders’ rights, as defined by the OECD principles of CG, is low in high UA Cultures such as the Saudi, is found via the descriptive, statistics and hypothesis tests as indicated and supported by the relevant literature.

3. Power Distance

Saudi shareholders scored 75 on the *Power Distance* dimension using the Mode. This finding is confirmatory of the score of 95 found by Hofstede’s et al., (2010) on the scale of *Power Distance* for Saudi culture as whole, which makes Saudi Culture high on this dimension.

What is inferred from the *Power Distance* score of this study is that the expected level of Minority shareholder protection is low in Saudi Arabia. In fact, managers of listed Saudi Corporations' perceptions of the OECD principles were found unfavourable and those managers were found less sensitive to governance related issues concerning shareholder rights, treatment of shareholders, and financial disclosure (Robertson et al., 2013).

Moreover, Saudi Minority shareholders scored higher on this dimension as compared to Majority and Sophisticated shareholders using the Mean. The Mean of Minority shareholder on this dimension was 82, Sophisticated 79.6 and Majority 74.2. Even though there was a slight difference in the level of *Power Distance* found in each Saudi shareholder group using the scores derived from the descriptive statistics, the non-parametric test of *Kruskal-Wallis* and *Mann-Whitney* showed Minority shareholders scored 95% and 82% higher on *Power Distance* compared to Majority and Sophisticated shareholders respectively.

Moreover, the *Fisher hypothesis* test shows a significant correlation between *Power Distance* as a dimension and information awareness. Speculatively, the amount of information provided to Minority shareholders regarding their basic rights and how they can exercise them decreases the gap between powerful stakeholders such as board members, Majority shareholders, managers and Minority shareholders. Not only that , but it also improves the overall level of compliance of CG procedures by listed Saudi corporations as Minority shareholders become part of the process of monitoring the corporations they have an interest in. Hence, Minority shareholders can better protect their investment through their appropriate participation, for instance in General meetings, as prescribed by the OECD principles of CG pertaining to their rights as Minority shareholders. This finding is consistent with the

findings of Griffin et al. (2014) who state “power distance is negatively and significantly associated with Minority shareholder protection”.

As a result, Minority shareholders in countries where *Power Distance* is high are less likely to aid in the process of improving CG compliance and challenge bad practise as compared to Minority shareholders in low *Power Distance* cultures.

In addition, the high level of *Power Distance* of Saudi shareholders implies there is no clear separation of management from ownership control and legitimises the high pay structure for executives from controlling families (Licht, 2001). It is therefore not surprising that families own 75% of listed corporations in Saudi Arabia (Al-Zuhair, 2008). The logic behind this phenomenon is best explained by Hammoud (2011), “the family remains the strongest and fundamental unit of social and business organization in the Arab World ... family members form family associations which organize activities and hold regular meetings to care for the affairs of the family and its members”. This phenomenon is also confirmed by Claessens et al., (2000) who found that 60 % of managerial personnel of 2,980 listed corporations in Asia were related to controlling families.

As a consequence, this unclear separation of management and ownership translates into a culturally specific kind of reporting. For instance, in the Saudi environment, information about powerful individuals is “more understandable, believable and appreciable by the society than information of policies, regulations or laws [regulating the financial statements]” (Al-Nodel & Hussainey, 2010). Furthermore, the high score on the *Power Distance* dimension is indicative of a low level of disclosure and transparency by Saudi corporations “so as to avoid conflict and competition and to preserve security” (Licht, 2001). Therefore, it is common to see high hierarchical structures of stock pyramids in Saudi Arabia as “the entire populace, rich and poor... are likely to perceive such shareholding structures as just another facet of a proper social order ... [This is] why small investors in some countries put their savings in suspicious stock pyramid schemes or subject them to the whims of controlling families" (Licht, 2001).

In fact, a look at the Social Network Theory (SNT) graph designed by the researcher, inspired by the work of Barabasi (2002), below confirms the previous findings:

Figure 7.2: Application of SNT Theory on Listed Saudi Corporations



In addition, it is noteworthy to mention that the high *Power Distance* of the Saudi society stems from the Islamic concept of Fatalism.

“Fatalism in Arab culture emanates from interpretation of religious principles that seem to require total submission to the power and will of god. Even though, such principles do exist, their implications are in fact taken out of context because they ought to be understood and interpreted in balance with other principles that urge Muslims to make choices and expect them to impact their destinies. Islamic scholars have for long engaged in philosophical debates regarding the question of choice versus submission and schools of thought have argued for one or the other” (Hammoud, 2011).

Overall, support for **Hypothesis 3**, the quality of the exercise of Minority shareholders’ rights, as defined by the OECD principles of CG, is low in high PDI Cultures such as the Saudi, is found via the descriptive statistics and hypothesis tests as indicated and supported by the relevant literature.

4. Femininity:

Saudi shareholders scored 48 on this dimension using the Mode. This low score on the *Femininity* dimension is reflective of the high level of *Masculinity* of Saudi shareholders as suggested by Hofstede’s et al. (2010) score of 60 on the *Masculinity* dimension.

According to the descriptive statistics of this study, Minority shareholders scored higher on the *Femininity* dimension as compared to Majority and Sophisticated shareholders using the Mean. The Mean of Minority shareholders on this dimension was 58.2, Sophisticated 53.3 and Majority 50.6.

Moreover, Minority shareholders scored 90 % higher on *Femininity* as compared to Majority shareholders, according to the *Kruskal-Wallis* test. In addition, *Mann-Whitney* test showed that Minority shareholders scored 74% higher on *Femininity* compared to Majority shareholders. Hence, Saudi Majority shareholders were found two times more masculine than Minority and were driven by competition, achievement and success. Therefore, their concern for Minority shareholders and their rights as prescribed by the OECD principles of CG is expected to be minimal, especially when those Majority shareholders are in the position to run corporations on a day to day basis. As a result, Saudi Arabia under the lights of the *Femininity* dimension is clearly a classical case of how “corporate governance regimes around the world shaped by different sets of cultural values, are also divided with regard to the question: for whose benefit should corporations be governed” (Rossouw, 2009).

In addition, this result of a higher level of *Masculinity* among Saudi Majority shareholders also implies their low level of willingness to involve Minority shareholders in listed corporations’ activities, which they are entitled to by the OECD principles. The logic behind such unwillingness is due to the size of private benefits of control Majority shareholders can enjoy (Bebchuk, 1999). For example, “when private benefits are large, initial owners, maintain a lock on control to increase fraction of

surplus" (Bebchuk, 1999). Therefore, initial owners strive to maintain their private benefits of control, especially when control is valuable, to keep rivals away from capturing these private benefits.

Moreover, the *Fisher hypothesis* test shows a significant correlation between *Femininity* as a dimension and information awareness. Speculatively, the amount of information provided to Minority shareholders regarding their basic voting rights and how they can exercise them decreases the private benefits of control enjoyed by Majority shareholders. Not only that, but it would also improve the overall level of CG compliance of listed Saudi corporations as Minority shareholders become part of the process of monitoring their corporations. Hence, private benefits of control, enjoyed by Majority shareholders, would be curbed if the exercise of OECD Principles of Minority shareholders' rights was guaranteed.

Moreover, the media effect on public pressure is highly recommended by Dyck and Zingales (2004) as a mechanism of curbing private benefits of control. Also, Dyck and Zingales's previous research suggests that the media is capable of exposing bad corporate practices and inducing corporate managers to bow to social and environmental pressures (Dyck & Zingales, 2002; 2003).

Interestingly, *Religion* and *Femininity* were found not to be significant in this study even though it was expected they would have some sort of correlation via the null hypothesis testing, *Fisher* test. The assumption was based on the observation that religions, including Islam, were expected to have some effect on ensuring equitable treatment of individuals. Nevertheless, the lack of support for this assumption indicated by this study is confirmed by other studies, which found no significant correlation between *Religion* and *Femininity* (e.g. Matoussi & Jardak, 2012).

Overall, support for **Hypothesis 4**, the quality of the exercise of Minority shareholders' rights, as defined by the OECD principles of CG, is low in high MAS cultures such as the Saudi, is found via the descriptive statistics and hypothesis tests as indicated and supported by the relevant literature.

5. Long Term Orientation

Saudi shareholders scored 32 on the LTO dimension using the Mode. Hence, this low score on LTO is indicative of the *Short Term Orientation* of Saudi shareholders and their normative thinking (Hofstede et al., 2010). This finding is reflective of Hofstede's et al. (2010) score of 36 on LTO.

Moreover, Minority shareholders scored higher on LTO as compared to Majority and Sophisticated shareholders using the Mean. The Mean of Minority shareholder on this Dimension was 30.7, Sophisticated 30.4 and Majority 27.2. Even though there was a slight difference in the level of LTO found in each Saudi shareholder group using the scores derived from the descriptive statistics, the non-parametric test of *Kruskal-Wallis* and *Mann-Whitney* show that Saudi Minority shareholders scored

129% and 93% higher on LTO as compared to Majority and Sophisticated shareholders respectively. Hence, the higher score of Minority shareholders on LTO implies their pragmatic approach towards their investments and represents their higher orientation towards future dividends and their higher willingness to wait longer for dividends as compared to other Saudi shareholders' groups. In fact, this observation is confirmed by the Fisher exact test, which shows a significant relationship between LTO and Saudi shareholder type.

Therefore, these results have concrete implications related to the level of dividends and their due time as distributed by listed Saudi corporations. Specifically, due to the low level of LTO of Saudi shareholders as a whole and higher level of LTO of Minority shareholders, implying their higher level of pragmatism towards their investments compared to other Saudi shareholders' group, Saudi corporations are culturally compelled to pay future rewards in the form of dividends to all shareholders on a regular basis regardless of Minority shareholders' willingness to wait longer (Bae, Chang & Kang, 2012).

Moreover, the Fisher hypothesis test shows a significant correlation between LTO and information awareness. Speculatively, the amount of information provided to Minority shareholders regarding their basic financial rights contributing to their wealth maximisation influences the size and time of dividends distributed to them. In fact, this causal relationship has been well documented through regressions, revealing a negative association between listed corporations' levels of dividends and the LTO score (Bae et al. 2012).

In addition, listed Saudi corporations have been found to usually distribute 100% of their generated income as dividends (Osman & Mohammed, 2010). Also, agency cost is found not to be a critical driver of dividend policy due to the fact that Saudi listed corporations are highly leveraged via bank debt (Al-Ajmi & Hussain, 2011). However, Zakat (an Islamic tax: 2.5 percent of a company's unused assets in hand) has been found to play a critical driving role in explaining dividend policies employed by Saudi listed corporations (Al-Ajmi & Hussain, 2011).

In addition, the Fisher hypothesis test shows a significant correlation between LTO and Education and LTO and Religion. This correlation is significant as it shows how education can decrease the effect of using religion as a point of reference and a source of information regarding the application of the CG principles prescribed by the OECD.

For example, 73.5% of all respondents required a religious permit from religious scholars to call for the application of the OECD principles of CG pertaining to shareholders' rights: 87.5% of Majority respondents required a blessing whereas 74.3% of Minority respondents required a blessing. Hence,

the level of awareness regarding shareholders' rights, Majority were aware of 70-80% of their rights on average, whereas Minority shareholders were aware of 10%, did not cause a decrease in the religious effect but rather the level of LTO as Minority shareholders' scored higher on this dimension compared to other groups of Saudi shareholders. In addition to that 91% of Minority shareholders, on average, were found to hold high qualification compared to 87.5% of Majorities, on average (see Appendix C3).

Overall, support for **Hypothesis 5**, the quality of the exercise of Minority shareholders' rights, as defined by the OECD principles of CG, is low in low LTO cultures such as the Saudi, is found via the descriptive and hypothesis tests as indicated and supported by the relevant literature.

In summary, undoubtedly Hofstede's (1980-2010) CVD model has the explanatory power to reveal differences in CG worldwide (Chan & Cheung, 2012). In fact, it is common to find weak Minority shareholders' protection and a low level of CG compliance in emerging markets such as Saudi Arabia characterised as high on *Power Distance*, *Collectivism*, *Uncertainty Avoidance* and low on *Femininity* (Rafiee & Sarabdeen, 2012). Furthermore, self dealing and insider trading are expected to be high in Saudi Arabia due to the low score on *Individualism* and high score on *Power Distance*, and *Uncertainty Avoidance* (Licht, 2001).

Moreover, the distribution of each CVD dimension was found not to be the same when comparing the groups of Majority with Minority shareholders. Nevertheless, segmenting the CVD dimensions into groups of shareholders was criticised by Hofstede via a researcher's exchange with him. He advised the researcher,

"Dear Mr Alfordy, these national dimensions do not apply to groups like minority and majority shareholders... The dimensions approach belongs to organizational anthropology, whereas your study [referring to the comparison between groups] belongs to organizational sociology" (Hofstede, email, March 18th, 2015) (see Appendix D3).

The following is the researcher's reply to Hofstede:

"Initially, my study aimed at exploring the effect of organizational anthropology pertaining to Saudi Arabia on the nature of CG compliance and its level. In fact, the corporate governance literature has been enriched by the use of your dimensions in this regard including the referenced work of Semenov (2000) in Hofstede (2001). In fact, the majority of my study falls within that line of investigation.

However, breaking down the analysis and applying the national dimensions to groups like minority and majority shareholders is rather a crime I shall be charged for. Actually, that's where I tried to move from a macro-investigating level of anthropology to more of a micro-sociological level.

I admit that's where I disagreed with the literature on the applicability of your national dimensions being "static" or even applicable only on a "macro scale". The existence of alternative sources of inspirations is either limited or currently proposed such as the work of Patel and Rayner (2012) which I have used in my analysis.

In other words, I have been highly influenced by the approach of Amir Licht who has referred to your work as valuable in understanding social institutions. He has theoretically switched focus between anthropology and sociology on values and their dynamics, stating "national cultures can be seen, metaphorically, as the mother of

path dependence dynamics in the sense that they play a role in both the origin and in future development of corporate governance systems ... In their very essence, values *are* social norms, as social norms affect individual behavior and social institutions" (Licht, 2001).

Moreover, the reason the researcher segmented the groups of Saudi shareholders was due to pure statistical logic to find whether any discrepancies between groups might call for further testing, which in this study was found to be the case. Hence, significant correlations were found when comparing the CVDs of *Individualism, Power Distance, Uncertainty Avoidance, Femininity, and Long Term Orientation* between Majority and Minority shareholders.

Thus, these significant correlations expose two different cultures pertaining to Majority and Minority shareholders in Saudi Arabia. The Majority shareholders belong to the 'egalitarian culture' (Patel & Rayner, 2012) whereby members of this culture distinguish themselves from non-members (Gross & Rayner, 1985). Hence, those members frequently interact with each other on an organisational level, and "are close knit, consensual and egalitarian internally, they are unrelenting in criticizing what goes on outside their 'walls of virtue' " (Thompson, 1996 cited in Patel & Rayner, 2012, p. 10).

On the other hand, Minority shareholders belong more to the 'fatalistic Culture' where "behaviors are strongly regulated by socially assigned classifications (Gross & Rayner, 1985). Hence, individuals have little free choice (Coyle & Ellis, 1994) and even lesser group support. Therefore, the rationality these individuals adhere to is fatalistic because they do not perceive themselves as controlling anything" (Patel & Rayner, 2012).

As a consequence, Saudi Minority shareholders, due to their passively fatalistic culture, align their interests with the interests of the dominantly active culture of Majority shareholders (Patel & Rayner, 2012). As a result, there is no doubt that "national culture is an essential determinant for the design of corporate governance systems" (Breuer & Salzmann, 2012). Therefore, the nationally active culture of the egalitarian Majority is responsible for the design of the CG system in Saudi Arabia while the passively fatalistic culture of Minority aligns itself to their interests.

In addition, the most commonly presented finding through the *Fisher Hypothesis* test was how each CVD except LTO correlated significantly with the level of information shareholders were aware of concerning their rights. The implications of these findings are consistent with the effect of globalisation and media found in relevant literature in raising awareness. In fact, globalisation aided in the creation of the OECD principles of CG and compliance with its procedures as required of the profession by all member countries. Moreover, not only is compliance with the OECD principles

monitored by the OECD, but also the design of shareholders' awareness programmes in emerging markets such as the Saudi is requested by the OECD, as noted by Koldertsova's (2011) OECD report.

There is no doubt that compliance with the OECD principles of CG pertaining to Minority shareholders' rights is capable of creating better adoption of local accounting standards, and consequentially will produce better protection of Minority rights. In addition, globalisation will continue to have a major effect on CG systems as exchange of ideas about laws and regulations is more likely to increase the transfer of legal knowledge (La Porta et al., 2008). Notably, Siems (2006) points out,

“as the social, political and economic conditions that form the background to shareholder law come closer together internationally, the law itself will also grow more similar ('convergence through congruence'). Secondly, individual interest groups will press for a greater approximation of laws ('convergence through pressure')”.

Most importantly, the CVD of Saudi Culture has a major implication for the institutional development of the Saudi accounting profession and its existing procedures, as illuminated by Institutional theory. Institutional theory, with its macro focus, predicts and offers “a wide range of applicability for understanding the practice of accounting... draw on a broad variety of insight from cognitive science, cultural studies, psychology and anthropology... draw attention to multiple levels of analysis ranging from the individual organization to society” (Scott, 2001 as quoted in Hoque, 2006, p. 188).

Accordingly, listed Saudi corporations are expected, in accordance with institutional theory, not to “conform to a set of institutionalized beliefs because they ‘constitute reality’ or are taken for granted, but often because they are rewarded for doing so through increased legitimacy, resources, and survival capabilities” (Meyer and Rowan, 1977 as quoted in Scott, 1987, p. 6).

Moreover, this theoretical implication of Institutional theory will be further discussed in the upcoming sections under the legal and political conclusions drawn from the qualitative phase of this research. This is because the “starting point for most INS-informed studies is an assumption that intra-organisational structures and procedures, including accounting, are largely shaped by external factors rather than cost-minimizing objectives” (Hoque, 2006, pp.186-187).

7.2 Second Research Question:

- 1- What other factors influence the level of compliance of listed Saudi corporations' with the OECD principles with respect to the protection of Minority shareholders' rights?

7.2.1 Answer

In order to answer this research question, a thorough traditional literature review was conducted. This review signified the legal and political factors to consider as variable constructs for the semi-structured interview questions (see Appendices B2 & B3). Moreover, the semi-structured interviews were conducted in full accordance with the interpretive paradigm of this study as discussed earlier in chapter 4.

Moreover, the qualitative findings of this section corroborate the quantitative findings in terms of shedding light on the legal and political factors influencing the level of compliance of listed Saudi corporations' with the OECD principles with respect to the protection of Minority shareholders' rights. In addition, such corroboration is capable of revealing new nuances of deeper social and cultural phenomena explored within this research and examined in part through the more formal analysis discussed in the previous section. Therefore, the legal and political factors are further explored for the purpose of this research to provide a comprehensive account of CG practise in Saudi Arabia in relation to Minority shareholders' rights.

Therefore, three in-depth face-to-face semi-structured interviews were conducted with two highly regarded commercial lawyers and one interview with an ex-legislator, forming a judgmental sample, to explore their attitudes, beliefs, and experiences in regard to the legal and political factors influencing the level of compliance of listed Saudi corporations with the OECD principles with respect to the protection of Minority shareholder rights.

The data analysis process of the interviews involved both functional and interpretive analysis as detailed in Chapter 6 and the findings were as follow:

7.2.1.1 Legal Factors

A. Assessing the Legal Environment on CG Compliance in Saudi Arabia:

Courts of laws are not specialised to deal with commercial cases in Saudi Arabia. The absence of specialised courts through which Minority shareholders can redeem their rights legally is currently an obstruction to the growth of CG compliance (Djankov et al., 2008).

In addition, Saudi judges, due to the requirement that they hold Islamic qualifications, are not properly equipped to deal with the nature of specialised commercial law suits such as CG. The emphasis of their

qualifications is purely based on Islamic Principles, which has, according to one of the participants, caused "the delay and stretching of all commercial lawsuits in the commercial courts".

Therefore, the state of CG enforcement in terms of its legal rules and their enforcements (La Porta et al., 1997) is lacking a 'judgment authority' as implied by the low level of execution of CG laws. Moreover, the current legal environment guiding CG procedures in Saudi Arabia attaches a low level of significance to Minority shareholders, which is indicative of an agency conflict between controlling shareholders, families, and Minority shareholders (La Porta et al., 1997).

Perhaps, this low level of significance given to Minority shareholders might be due to the origin of the Saudi Arabian Companies Act of 1965 and the SCGRs of 2006 issued by SCMA being the products of a historical process shaped by interested parties (Jensen & Meckling, 1976). Moreover, the Saudi CL of 1965 was not collectively "modified in an educated planned manner" as stated by one of the participants but rather in a manner serving the elites. In addition, the current state of the Saudi CL of 1965 is considered outdated and its outdated version fails to protect Saudi Minority shareholders (Al-Madani, 2011, Al-Zahrani, 2013). Despite the Saudi government's intention to reform CG, the Saudi CL of 1965 "has not been modified to any significant degree; it is still not sufficiently effective, and does not address many important points relating to shareholders' rights in listed companies" (Al-Zahrani, 2013).

In addition, Saudi Corporate law has suffered from the 'Copy and Paste' effect of the adoption of Egyptian civil law. Hence, this kind of civil law is indicative of power vested in the hands of politicians and wealthy elites (La Porta et al., 2000, 2000b). Moreover, this 'civil law effect' can be seen in the distribution of power within the CG laws in Saudi Arabia allowing top management to establish control or enabling major shareholders to have the most consequential effect.

Evidence from the Saudi legal environment shows that major shareholders hold the ultimate power in listed corporations as the law empowers them to appoint boards and hold them accountable (Cools, 2005), a fact also noted by one of the participants, who is aware of a lawyer representing two listed corporations.

In addition, institutional investors have utilised their powers excessively in the market over the last decade to increase their share prices, as indicated by one of the participants. Hence, it is evident that institutional ownership has weakened the quality of earnings as institutional investors appear to have used their increased empowerment to influence management so that they could increase the value of their shares in the short run (Jiang & Rajan, 2009).

Moreover, qualitative evidence gathered from the interviews is indicative of the policy implementing focus of the nature of legislation (La Porta et al., 2008) in the Saudi legal environment. Participants stated that "no care" is exercised in CG legislations as the implementation of care is responsible for protecting shareholders (Lele & Siems, 2007). Not to mention, most of the CG imported laws, in Saudi Arabia, have a policy focus basis, stemming from a political need as summed up by one of the participants with the *Aristotle Onassis* example with ARAMCO.

These political needs have aided the construction of strong mandatory rules (Coffee, 2001) at the expense of a strong market creating a demand for legal rules (Coffee, 2001). In fact, "there is at least some evidence that strong legal rules hindered the growth of [stock markets], the reverse does seem to be true: Strong markets do create a demand for stronger legal rules" (Coffee, 2001). As indicated by all the participants, the role of CG laws, in Saudi Arabia, has been activated for the benefits of powerful individuals and there is no remedial legislation for minorities. Hence, the nature of legislation is not in favour of establishing Minority rights (Coffee, 2001).

Cumulatively, all of the previous insights show that the nature of legislation in Saudi Arabia regarding CG laws leans towards a policy focus. Hence, Saudi CG legislation has a civil law tendency guided by precondition-strong mandatory rules (La Porta et al., 2000b) as explicitly stated by the ex legislator, "the power to legislate is in the hands of the powerful". Hence, "the policy implementing focus of civil law versus the market supporting focus of common law—explains well why legal rules differ" (La Porta et al., 2008).

B. Assessing the Strength of Minority Legal Protection:

All participants were of the opinion that the existing Minority shareholders' protection put in place in Saudi Arabia was purely nominal. This nominal effect has translated into the low level of extensive disclosure via private enforcement channels such as licensed auditing firms (La Porta et al., 1999). In addition, the low level of awareness and the absence of awareness programmes have contributed to the low quality of law enforcement regarding the means of redress provided to Minority shareholders whose rights are not made explicit by the responsible authorities (Berglof, 1997). As explained by one of the participants, "if there was quality, there would have been some consistency in applying and executing the law".

Moreover, ease of litigation, low burden of proof, specialty of courts, and access to information for Minority shareholders to examine self dealing (Djankov et al, 2008) are basic legal privileges not provided to Minority shareholders by the Saudi legal environment as it stands. Hence, the Saudi legal environment does not possess an acceptable level of quality enforcement as prescribed by Djankov et

al. (2008). Furthermore, the arms length approval by disinterested shareholders (Djankov et al., 2008) in legal proceedings is considered an unprecedented practice in the Saudi legal environment, as noted by all participants.

C. Assessing the Saudi Stock Market's Development:

All participants agree that the problem of insider dealing was serious and very common in Saudi Arabia, and it is the central problem of CG (Djankov et al., 2008). In addition, they all agreed that the appropriate preventive measures had not been put in place to deter this widespread insider dealing. Effectiveness in regulating self-dealing is the fundamental element of shareholders' protection and a strong predictor of stock market development (Djankov et al, 2008). For instance, one of the participants expressed his frustration regarding the level of fines imposed by SCMA and stated that these fines were "small and un-detrimental". Hence, the public enforcements via small fines for corporate offences are not considered as an effective mechanism (Djankov et al, 2008). Nevertheless, it seems to be the convention in Saudi Arabia as the qualitative evidence indicates.

In addition, solving the agency conflict between controlling families and Minority shareholders through improving the legal environment via extensive disclosures (La Porta et al., 1999) has not been beneficial in Saudi Arabia. In fact, participants provided evidence and testimony regarding the nature of disclosure provided by some Saudi listed corporations. There seems to be a practice of presenting, En 3: "diluted" or rather "artificially cosmetic" financial statements. Hence, private enforcement via ongoing disclosure of self-dealings transactions with ease of litigation provided to aggrieved shareholders is a basic privilege Minority shareholders in Saudi Arabia are unable to exercise. Moreover, the Big Four audit firms are part of this common practice in the Saudi market, as testified by one of the participants who used to prepare fake financial statements for his law office clients!

Therefore, the qualitative evidence as mentioned above substantiates the findings of La Porta et al., (1999) that "such strategies [extensive disclosure] won't succeed as long as those controlling families are hiding behind their pyramidal structures ". As a result, and as predicted by *Institutional Theory Normative Isomorphism*, Saudi listed corporations are well-adopted to "the structures and procedures advocated by particular dominant professions, professional bodies and/or consultants"(Hoque, 2006, p. 188). Nevertheless, these adopted structures and procedures advocated by the accounting profession in Saudi Arabia suffer from external forces such as powerful controlling families, owning 75% of listed corporations (Al-Zuhair, 2008), causing the application of CG procedures to be kept to the minimum level. As noted by the OECD report of 2010, "disclosure in the MENA region [including Saudi Arabia] is kept to the statutory minimum, and accountability is exclusively to the top, not to a broader public or an independent regulator" (Koldertsova, 2011). Moreover, SCMA is also responsible for this practice

as a legislating, implementing, and monitoring agency of CG as prescribed by the laws of SMCI (2015) and SCMA (2015).

Once again, and as indicated by the *Institutional theory Coercive Isomorphism*, SCMA failed in exerting the appropriate level of forces to ensure that listed Saudi corporations adopted the appropriate CG internal structures and procedures (Hoque, 2006). As a consequence, the level of compliance with CG laws in countries such as Saudi Arabia is kept to the statutory minimum (Koldertsova, 2011).

Moreover, the ex-legislator viewed the insider dealing problem as partially caused by the Minister of Finance because he is appointed. He explained, "he is one of those guys with political power or a companion of them who tries to please them...[Therefore,] minorities only have to...tag along with whatever benefits Majority shareholders". Hence, this piece of qualitative evidence supports the insights indicated by the *Institutional Theory* that

“a theory of institutional isomorphism may help explain the observations that organizations are becoming more homogeneous and that elites often get their way, while at the same time enabling us to understand the irrationality, the frustration of power, and the lack of innovation that are so commonplace in organizational life” (DiMaggio & Powell, 1983, p. 157).

As a consequence, when examining the criteria for the quality of legal protection provided to Saudi Minority shareholders such as effectiveness in regulating self dealing transactions, their appropriate disclosures, and their public and private enforcements, the conclusion must be that not only is the legal environment premature but also directors of listed Saudi corporations have not been serving their fiduciary duties to the best of their knowledge. As clearly stated in the OECD principles of CG of 2004, directors are part of the process of regulating the issue of self dealing (Djankov et al., 2008).

Moreover, the legal environment as characterised by legal rules and their enforcement has a major impact in determining the size of any given country's capital market (La Porta et al., 1997). The logic behind such associations is that "a good legal environment protects the potential financier against expropriation by entrepreneurs-it raises their willingness to surrender funds in exchange for securities, and hence expands the scope of capital markets" (La Porta et al., 1997). Therefore, the strong relationship revealed between weak investor protection and the size of capital markets is indicative of the Saudi capital market's 'unfriendly' investor laws which “kept investors relatively weak and assured controlling families and states larger roles to play in economic developments” (La Porta et al., 1997).

D. Assessing the Effect of Convergence Through Concurrence:

Moreover, the majority of participants expressed negative views regarding the potential existence of interest groups, other than controlling families and institutional investors, and perceived their potential

effects on the level of CG convergence through pressure (Siems, 2006) to be negative. Hence, as it stands, all participants doubted the ability of potential individual interest groups pressing for a greater approximation of the Saudi CG laws with international CG standards regarding Minority rights. The reason behind their suspicion was due to initially the need to "*filter, clean, and rinse the existent interest groups*", *En3*.

However, this view was contradicted by the ex-legislator, who saw not having a left-wing party oriented towards interest groups voicing the opinions of Minorities and representing their interests as responsible for the current state of weak Minority shareholder protection. In fact, leftist parties are considered one of the best means through which CG reforms can be accomplished because shareholders, in countries such as Saudi Arabia, are too poorly organised to constitute an effective coalition on the political continuum (Cioffi & Hopner, 2006; Gourevitch, Pinto & Weymouth, 2010).

Nevertheless, the disagreement between participants can be best explored by the interest of the Saudi government in foreign investments and private initiatives. Interest group alignments capable of producing pro-diffusion policies in authoritarian regimes require "a strong interest by that regime in foreign investment and in private initiatives" (Gourevitch, 2008). However, an exception to this rule in certain countries such as Saudi Arabia might speculatively be due to the size of its natural resources and oil wealth (Gourevitch, 2008). Hence, such country can operate without being attractive to foreign investors.

Perhaps, this insight can explain the slow introduction of a leftist party in Saudi Arabia. Moreover, due to the high level of ownership concentration by powerful families, it can be speculatively expected that the dominant lobby in Saudi Arabia resembles a right leaning party that is pro-business. Hence, the resistance of this right-leaning party in Saudi Arabia is to be expected as this party will be tempted to "protect established reforms of organized capitalism, [and] concentrated stock ownership" (Cioffi & Hopner, 2006).

"Through lobbying, Wealth concentration might have negatively affected the evolution of the legal and other institutional frameworks for corporate governance and the manner in which economic activity is conducted. It could be a formidable barrier to future policy reform... Concentration of control might also have been a detriment to the evolution of the countries' legal systems. A concentrated control structure of the whole corporate sector could lead to the suppression of minority rights and hold back the institutional development of legal and regulatory channels to enforce these rights" (Claessens, Djankov & Lang, 2000).

Hence, convergence through congruence (Siems, 2006) is less likely to happen in a country where Minority shareholders are not well represented at the legislative level. Therefore, it can be said that the current low level of Saudi Arabia's CG convergence with international CG standards regarding

Minority rights is caused by "lack of awareness on the part of the law executers and minority shareholders, *En1*" as put by of one of the participants.

In addition, all participants agreed that the effect of functional convergence at the level of security regulations (Coffee, 1999b), bringing in the appropriate CG laws regulating the rights of Minority shareholders such as the OECD principles, in Saudi Arabia was most likely to have a nominal effect. This nominal effect can be best explained by the *Institutional Theory Normative Isomorphism* as it sheds some light on the Accounting Profession and its governing bodies in Saudi Arabia, failing short on advocating the appropriate CG internal structures and procedures to aid listed Saudi corporations in reaching an acceptable level of compliance with international CG standards. In addition, the adoption of better accounting standards per se will not lead to an increase in earnings quality, in the opinion of the participants. Rather, the earnings quality increases when mandatory IFRS is adopted in a country where such investors' protection regimes are found strong (Houqe, Van Zijl, Dunstan & Karim, 2012).

Hence, it can be interpreted that functional convergence, in Saudi Arabia, will not have a positive effect unless reform of the legal environment takes place in terms of: ease of litigation, establishment of specialised courts, appointment of competent qualified judges in CG commercial cases, and creation of awareness programmes for Minority shareholders regarding their rights. Perhaps, making the legal reform more radical in giving Minority shareholders explicit rights, enabling them to be remedied, might prove to be a progressive step as suggested by Berglof (1997). Therefore, the Coercive Isomorphism, "whereby impinging external factors (e.g. government policy, regulation, supplier relationships) exert force on organizations to adopt specific internal structures and procedures" (Hoque, 2006, p.188), might be a good starting point in Saudi Arabia. In particular, when the qualitative evidence points to how the accounting profession and its monitoring agencies such as SCMA and SOCPA have failed in their normative attempts as they claim to improve the level of accountability. Therefore, there is a substantial need for the CG guiding professions, in Saudi Arabia, to improve their operations as also implied by institutional theory:

“ a review of accounting studies is also suggestive that public sector accounting researchers have probably paid more attention to institutional theory than others have...this focus is understandable because public sector entities are required to demonstrate accountability and in this regard accounting is seen as one way in which public sector entities can legitimate their operations” (Hoque, 2006, p. 196).

Moreover, globalisation, as indicated by the qualitative evidence, is more likely to have a major effect on the Saudi legal system because exchange of ideas about laws and regulations is more likely to increase the transfer of legal rights (La Porta et al., 2008). As best put by the ex-legislator, *En2*,

"Indeed, I believe being open to globalisation, marriage of thoughts and international trade has a benefit. They may impose on us certain laws to reach their acceptable level of exchange". In addition, the view that, "the social, political and economic conditions that form the background to shareholder law come closer together internationally, the law itself will also grow more similar 'convergence through congruence'" (Siems, 2006) was also supported by all participants. However, the majority of participants expressed some caution in the application of such transfer of legal knowledge on the grounds that what might have suited one country may not suit another.

7.2.1.2 Political Factors

A. Assessing the Political Factors Shaping CG in Saudi Arabia:

Participants provided substantial evidence that the Saudi Arabian House of Consultancy resembles a proportional majority voting system where the majority wins. Hence, that explains the low degree of shareholder protection politically provided under proportional voting systems, as indicated by Pagano and Volpin (2005). In addition, the 'appointment' recruiting technique of members of the Saudi House of Consultancy, as expressed by all participants, has cultivated a conservative party. As a result, this party has not fashioned new interest group alliances of the middle class making up a leftist, pro- CG reform party in Saudi Arabia (Cioffi & Hopner, 2006). Instead, the preferential treatment of appointing members to the Saudi Arabian House of Consultancy has resulted in recruiting members of controlling families, resembling a right-leaning party that is pro-crony capitalism and concentrated ownership structure (Cioffi & Hopner, 2006). As a result, those appointed members serve a conservative agenda of a right-leaning party that protects established forms of organised capitalism embracing the concentrated ownership choices of corporate structures (Cioffi & Hopner, 2006).

Therefore, the level of policy swing is expected to be low as legislation is politically shaped by 'un-institutionally' appointed members of parliament who serve a right-leaning party agenda protecting established forms of organised capitalism (Cioffi & Hopner, 2006). Hence, fewer policy swings are considered the reason that block holding remains an attractive option, as indicated by Gourevitch (2008). Most importantly, the theory of Roe (1994) regarding policies being capable of discouraging ownership concentration is considered doubtful as "ownership concentration is a consequence of poor legal protection of Minority shareholders" (La Porta et al., 1999).

In addition, all participants' views of the effect of Saudi Arabia's institutions on the nature of listed Saudi corporations' compliance with CG laws pertaining to Minority rights were negative. The root cause behind this perceived negativity, according to one of the participants, was due to the *"government service sector failing short on its responsibilities" En1.*

As a consequence of governmental institutions falling short on their responsibilities, controlling families are practically considered as an institution as perceived by the majority of participants. These controlling families own 75% of listed Saudi corporations (Al-Zuhair, 2008). "Controlling families are primary institutions- in the governance of economic systems -produces a new model of governance representing an alternative template to the Anglo American model" (Steier, 2008). Hence, the existence of this familial institution is more likely to continue to manifest itself in the governance of transitional and emerging economic systems such as the Saudi one (Steier, 2008). In addition, its survival is dependent on the institutional context of whether or not familial capitalism is potentially favourable or unfavourable to economic developments (Steier, 2008).

Moreover, according to one of the participants *"there is no such clear governmental organisation or institution where minorities can go to, refer to, or approach for their sakes, En3"*. As a result, the quality of law enforcement regarding the means of redress by minorities in respect to suspected offences committed against them is very low due to the weak legal infrastructure of Minority shareholders' protection in Saudi Arabia. Hence, this finding reinforces a previous finding that the agency problem in countries such as Saudi Arabia is expected to be severe because such contractual conflict is between controlling families and Minority shareholders (La Porta et al., 1999).

In addition, the qualitative evidence provided by participants indicates that current interest groups such as wealthy families and religious institutions have created barriers to future policies (Claessens et al., 2000). These interest groups have powerful lobby influence which has aided in the de-promotion of private initiatives and genuine interest in foreign investments (Gourevitch, 2008).

Moreover, the majority of participants perceived the effect of the Saudi government's involvement in the economy on the nature of CG compliance of listed Saudi corporations as negative. This negativity was felt to be partially due to individuals with governmental power such as controlling families trying to fight the proper application of CG laws. In addition, the majority of participants perceived those governmental interventions to have been for the benefits of the elites. Thus, "centralized institutions can be too powerful, leading to anxiety, which then produces the defensive reflex of block holding" (Gourevitch, 2008), which is the case in Saudi Arabia where controlling families own 75% of listed corporations (Al-Zuhair, 2008).

In fact, Institutional theory sheds light on this phenomenon as found in Saudi Arabia. DiMaggio and Powell view the spread of such familial corporations as firstly due to 'the natural selection' occurring "in government agencies or in faltering corporation on political rather than [on] economic ground ... [secondly] key elites guide and control the social system through their command of crucial positions in

major organizations”(1983, p.157). Therefore, the use of *Institutional Isomorphism* is theoretically sufficient in explaining the widespread of homogeneous organisational structures in a developing country like Saudi Arabia where the homogeneity of block holding can be better explained on political grounds rather than economical ones.

Moreover, the growth of security markets and increase in dispersed ownership structures have been found to correlate, “closely not with specific legal rules or protections, but with the appearance of a private sector that is relatively free from direct governmental interference” (Coffee, 2001). Hence, economies characterised as decentralised are capable of nurturing the growth of security markets by allowing entrepreneurs to invent their own techniques to make their investments credible for stakeholders to invest in (Coffee, 2001).

In addition, regarding the effect of the absence of a constitutional process on the nature of listed Saudi companies’ compliance with CG laws pertaining to Minority rights, both law practitioners were skeptical over the applicability of this so called constitution in Saudi Arabia in terms of aiding the level of CG compliance. This was because, “[the Quran] *is filled with enlightenment and wisdom but you can't execute it as is*” *En I*. However, both still perceived it as a constitution even though what is 'available' does not explain how power is distributed legally over the whole spectrum of the population, as emphasised by the ex-legislator. “[Having a clear constitution] *is a principle factor. This will improve the economical and political dimensions in any country. It will even lead to the distribution of power between people instead of having the power in certain hands of the population.*”

Therefore, it can be interpreted that the existence of this so called Islamic oriented constitution, in terms of not showing how power is legally distributed and the intentionally vague interpretations, is equivalent of having no constitution. Hence, the absence of a solid constitution creates the potential for market interventions by centralised authorities (Gourevitch, 2008). Also, the lack of a solid constitution weakens popular pressure to safeguard Minority shareholders' rights; as a result, this effect will promote a block holding model of corporate control instead (Gourevitch, 2008). In fact, some existing CG regimes around the world have been found to benefit key politicians and controlling families, as confirmed by La Porta et al., (1997, 2000b), This observation was substantiated via the qualitative analyses of this research's interviews.

Specifically, the word choice "*mood and desires*" were used by one of the law practitioners as the reason behind the government not agreeing with the religious committee on specific interpretations of Islamic legislation stemming from the Quran. Perhaps, this can explain the inefficient governmental involvement in the economy to improve the level of CG compliance. Nevertheless, institutional theory

provides a better explanation for these phenomena as found in Saudi Arabia.

" A consideration of isomorphic process also leads us to bifocal view of power and its application in modern politics... The first as March and Simon (1958) and Simon (1957) pointed out years ago, is the power to set premises, to define the norms and standards which shape and channel behaviour. The second is the point of critical intervention (Domhoff, 1979) at which elites can define appropriate models of organizational structure and policy which then go unquestioned for years to come (Katz, 1975) such a view is consonant with some of the best recent work on power " (DiMaggio and Powell, 1983, p. 157).

B. Assessing the Political Economy:

It is safer to assume a multi-dimensional framework when determining the factors influencing the development of an economy and its capital market. Moreover, there are no doubts that the legal system has a major effect on the development of any financial system, the size of its security market and ultimately its economy as a whole (La Porta et al., 1997, 1999, 2000b, 2002, 2006, 2008).

Nevertheless, political changes and power drives are found to have critically influenced financial developments worldwide (Haber, 1991, 1997).

Evidence of high surplus extracts was substantiated via the qualitative interviews in the Saudi stock market at the IPO stage. In fact, one of the participants provided an insight that the announcement of IPO is commonly perceived, in Saudi Arabia, as an indicator of founders trying to divest their corporations due to future-profit feasibility issues such as rapid changes in technology requiring major investment in production lines. Moreover, the existence of large benefits of control is also indicative of high concentrated ownership structure, weak institutions contributing to weak shareholder protection, and laxity of Minority shareholder laws (Bebchuk & Zingales, 2000; Dyck & Zingales, 2004; Coffee, 2001b), as found in Saudi Arabia.

Therefore, in such an environment allowing the extraction of high surplus at the IPO stage, founders are encouraged to go for control transfers despite the socially optimal choice (Bebchuk & Zingales, 2000). Furthermore, when private benefits of control are found high in any given country, its publicly traded companies chose to have a few controlling shareholders, or rather choose not to go public at all to reap the rewards of the private benefits of control (Bebchuk, 1999). This explains the high percentage of concentrated ownership by controlling families in Saudi Arabia, who own 75% of listed corporations (Al-Zuhair, 2008).

Moreover, a "corporate law system that effectively limits private benefits of control can produce more efficient choices of ownership structure" and eventually leads to a dispersed ownership structure that is accompanied by a strong shareholder protection regime (Bebchuk, 1999). As a result, such weak legal protection can also lead to limiting the development of any security market and in turn compels initial

owners to opt for the choice of offering too little public ownership (Bebchuk & Zingales, 2000).

Hence, "any source of private control benefits is of concern if a goal of the legal system is to ensure that all shareholders participate proportionally in the value of the company" (Bebchuk & Kahan, 1999).

This means that

" many institutional variables, taken in isolation, seem to be associated with a lower level of private benefits of control: better accounting standards, better legal protection of minority shareholders, better law enforcement, more intense product market competition, a high level of diffusion of the press, and a high rate of tax compliance" (Dyck & Zingales, 2004).

In addition, all participants agreed that the existence of a persuasive political voice was essential for the success of listed Saudi corporations. Hence, it is really difficult for potential entrepreneurs seeking external capital (Coffee, 2001) to succeed in the Saudi market without a persuasive political voice (La Porta et al., 1999) as substantiated by the qualitative evidence.

Moreover, evidence of constant reinforcement by the Saudi government and controlling families (Coffee, 2001) was provided sporadically but shyly throughout the interviews. Nevertheless, "much contemporary evidence demonstrates that concentrated ownership systems can serve as a means by which powerful families and governments reinforce each other and control economies in some areas of the Third World" (Coffee, 2001). Hence, crony-capitalism is the political outcome of such mutual reinforcing techniques and is the dark side of concentrated ownership (Coffee, 2001). Moreover, once the concentrated ownership structure transforms into crony-capitalism, uniting both the political and the economical powers, the effect of the law becomes minimal (Coffee, 2001).

However, it was explicitly clarified by one of participants, the ex-legislator, that those controlling families, "*are the ones who protect their immunities in the government. It is not like the government has a policy for them. But rather, those families are powerful, and their power allows them to get into legislations, En2*". As witnessed by Gourevitch,

"Governments are controlled by small numbers of officials who restrict access to authority, police, courts, and the media. The two oligarchies interact. The corporate insiders use their special path to political power to get money and contracts, and to prevent entry or competition into their business. The state authorities rely on the corporate types for financial and economic resources useful to keeping power and restricting access of outsiders to political influence. The relationship has acquired the label 'crony capitalism'" (2008).

Thus, controlling families in Saudi Arabia have the power and interest to expropriate Minority shareholders. In fact, controlling families are found to neither support nor encourage legal reforms enhancing Minority shareholders' rights; instead, these families are found to lobby against such

reforms (La Porta et al., 1999). Hence, the legal effect becomes minimal in such an environment (Coffee, 2001) as indicated by the qualitative interviews.

Consequently, it is not surprising to find that three Saudi families dominate more than 41% of executive board positions in listed Saudi corporations trading on the Saudi Stock Market (Saad, 2015). In addition, these three families occupy the boards of 68 listed corporations out of 168 listed Saudi corporations trading in the stock market. In addition, 17 other families dominate other boards of Saudi Listed Corporations. These families are:

Table 7.3: Saudi Families Dominating Executive Board Positions

Family Name	Number of Listed corporations present in	Economic Sector involved in	Number of Board members
AL-Saud	25	9	33
Al-Aissa	25	13	28
Al-Rajhi	19	9	28
Al-Zamil	8	4	14
Aba Alkhail	11	7	11
Al-Quaiz	11	7	11
Al-Rashed	10	6	11
Al-Gammdy	10	8	10
Al-Saif	9	7	10
Al-Suilm	9	5	10
Al-Turki	9	7	9
Al-Shiekh	9	7	9
Al-Twajjri	9	6	9
Al-Amran	9	6	9
Al-Muhidib	8	6	9
Al-Rasheed	8	5	9
Al-Saleh	9	5	9
Ali Rida	8	5	9
Al-Mulhim	8	7	9
Al-Ageel	5	4	9

Source: Saad (2015) Maaal Economic Newspaper on the 18th of March 2015

Moreover, these families are found to concentrate in the Banks, Petrochemical, Cement, Insurance, and Building and Real Estate sectors (Saad, 2015). In fact, a look at the Social Network Theory (SNT) graph designed by the researcher below confirms the previous findings of Saad (2015). (See Appendix E for a full description of the SNT Theory on listed Saudi Corporations).

7.3 Research Contribution

7.3.1 Theoretical Contribution

A. In terms of theory building

- i. “Questionnaire based research approaches are unsuitable since many concepts underpinning the institutional explanations are difficult to measure” (Hoque, 2006, p.197). Nevertheless, this research has, unprecedentedly, quantified the application of institutional theory by employing elements composing the institutional theory such as cultural values, (Hofstede et al., 2010), and norms as prescribed by its founders, DiMaggio and Powell (1983) and Scott (1987) in the build-up of the questionnaire. As a result, the questionnaire as a whole was capable of measuring the CVD of the Saudi national culture based on the principles of CG found in the OECD forum pertaining to Minority shareholders rights. Not only that, but the measurements were in confirmation with Hofstede’s et al. (2010) findings.
- ii. The assignments of Hofstede's et al. (2010) dimensions to the OECD principles of CG governance pertaining to Minority shareholders in this study should be seen as a comprehensive contribution when other studies such as Chiper, (2010) have tentatively suggested the possibility of interpreting OECD principles from a cultural value context such as Hofstede et al. (2010).
- iii. This study confirms the suitability of using Hofstede’s (1980-2010) CVD model as a paradigm, in line with the interpretive paradigm of this study, to discover potential correlations between culture and the quality of compliance with CG principles.
- iv. This is the first study that has investigated the OECD principles of CG pertaining to the rights of Minority shareholders from a cultural perspective using Hofstede’s et al. (2010) CVD model.
- v. This study reinforces the strength of Hofstede's et al. (2010) unit of analysis being the culture, not the individual, in countries with a low level of ethnic variety (Khastar et al., 2011) such as Saudi Arabia.
- vi. Moreover, “a review of accounting studies is also suggestive that public sector accounting researchers have probably paid more attention to institutional theory than others have...this

focus is understandable because public sector entities are required to demonstrate accountability and...legitimate their operations” (Hoque, 2006, p. 196). However, in developing countries where familial capitalism prevails with governmental blessing, the accountability of the CG regime is of a major source of concern for-profit firms. Therefore, application of Institutional theory, as demonstrated by this research, is not only suitable to assess Saudi listed corporations' accountability but also capable of shedding further light on potential correlations between Saudi culture and the level of compliance with CG codes and principles by Saudi listed corporations, taking into account legal and political factors.

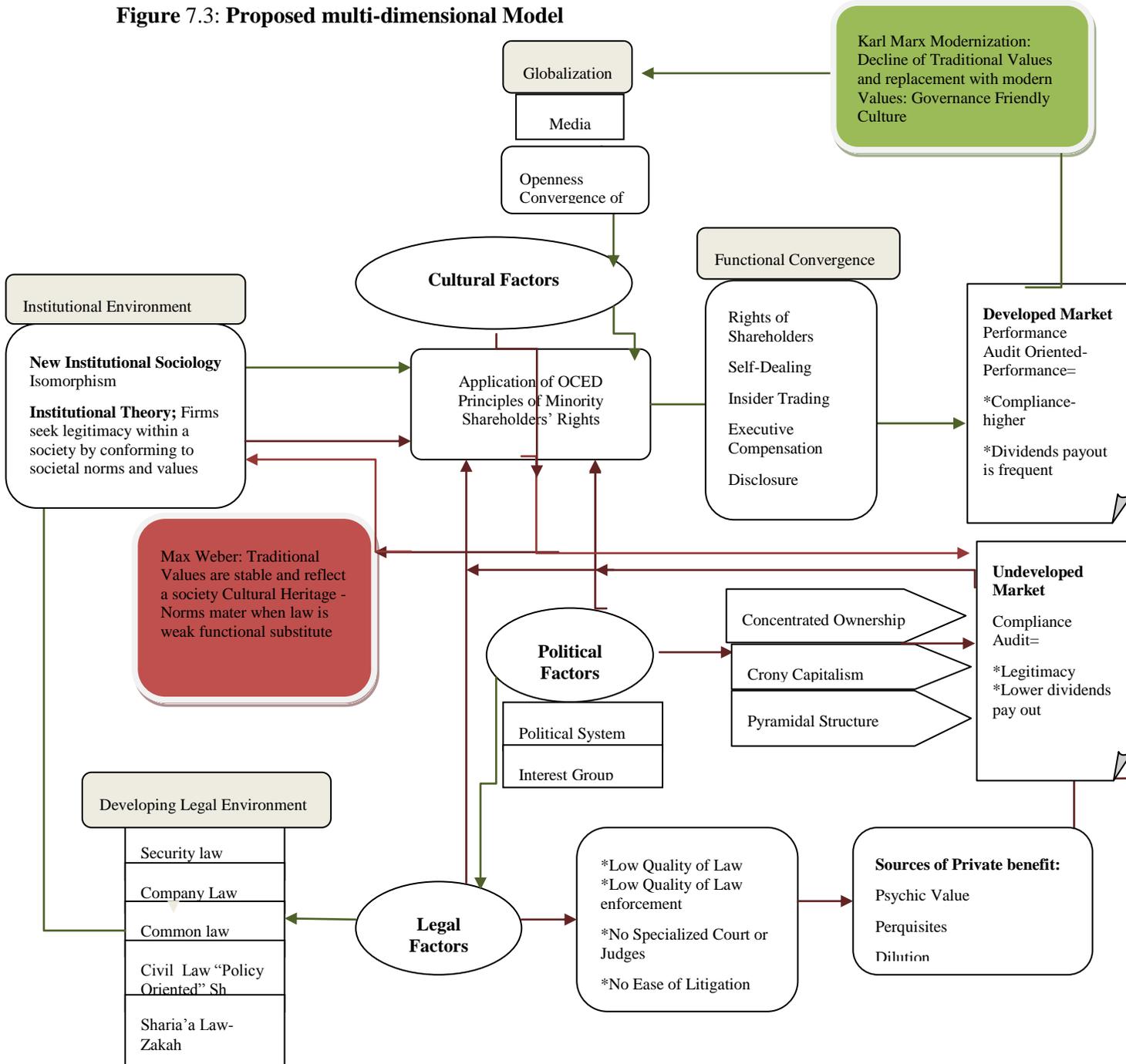
- vii. In addition, the legal and political sections of this research are the first attempts to look into the issue of Minority shareholders' rights in Saudi Arabia from a CG perspective. In fact, recent research papers have only looked at the issue only from a legal perspective; for example: (Al-Madani, 2011; Al-Zaid, 2012; Al-Zahrani, 2013; Al-Kahtani, 2013; Al-Habshan, 2015). In addition, no research papers were found that looked at the political influence of the Saudi Arabia system on CG in regard to Minority shareholders' rights.

A. In terms of the way the literature is steered,

- i. This research study has taken advantage of integrating the cultural literature bordering on anthropology, psychology and sociology in hand with the counting theory of Institutional Isomorphism. Not only that, but also the nature of previous CG literature has been considered in terms of their common epistemological and ontological grounds. Hence, the potential researcher can find this study's cultural section of the literature review dimensionally comprehensive to utilise for potential research focused on the impact of culture on CG.
- ii. This research has provided a dimensional framework for assessing CG regimes in developing countries by integrating cultural, legal, and political factors in a unified framework. Such integration was motivated by the gaps found between these disciplines. For instance, the well-known scholars in each of those disciplines, to name a few: La Porta et al. (1997, 1998, 1999, 2002, 2006, 2008) in the legal discipline; Licht (2000, 2001 & Licht et al., 2002, 2005) in the cultural discipline; Pagano and Volpin (2005) and Coffee (1999, 2001) in the political discipline, insisted on the appropriateness of their singular factor assessments when assessing the strength of Minority shareholders' regimes worldwide. Hence, such integration, based on the positive results of the empirical and

qualitative phases, confirms the criticality of the variables extracted from the literature, which validates the adopted one-dimensional model of this study. Therefore, other countries of similar culture can rely on the proposed model to assess the strength of their CG regime in light of Minority shareholders' rights.

Figure 7.3: Proposed multi-dimensional Model



Source: The Author

As the diagram depicts, cultural factors in terms of Hofstede (2010) CVD model, as confirmed by this study, do have an affect on the application of OECD principles of shareholders' rights. Specifically, the affect of these CV dimensions can be seen on their influences on the broad constructs derived from the literature review phase such as 1) rights of Shareholders, 2) Self Dealing, 3) Insider Trading, 4) Executive Compensation, and 5) Disclosure. In addition, a positive effect as depicted by the green arrow in the diagram shows how these CV dimensions can aid the functional convergence in terms of the broad constructs resulting in the development of such capital market that is characterized of an audit-oriented performance. Hence, a higher level of compliance and dividends pay-out is expected.

Moreover, such outcome confirms with the view of Karl Marx that Modernization leads to the decline of traditional values and their replacement with modern values that are capable of producing a 'governance friendly culture'. Such governance friendly culture is highly receptive of the effects of globalization and media, which transcends into an openness convergence of values and trade regulations. Otherwise, the CV dimensions of such society as the Saudi as confirmed by this thesis can have a negative effect on the application of the OECD principles of CG which will interplay with the legal and political factors as depicted by the red arrow that connects all factors together. Hence, here is where Max Weber's theory that traditional values are stable and persistent will come into a play. Hence, the effect of globalization through the OECD organization is constrained by cultural factors leading to undeveloped market and weak institutions' infrastructures via the legal and political factors as confirmed by this thesis in Saudi Arabia.

Moreover, as the diagram depicts legal factors do have a direct influence on CG. For instance, legal factors in terms of the quality of the legal environment and its enforcement procedures do have and affect on the application of OECD principles of minority shareholders' rights. Such influence can be negative as depicted by the red arrows leading to low quality of law and law enforcements resulting in creating sources of private benefits for major shareholders and ultimately undeveloped market that is characterised of a compliance audit seeking to convey legitimacy and pays lower level of dividends. However, a positive effect of legal factors will translate into proper evolution of regulations such as security law, common law and civil law as depicted by the green arrows. As a result, the institutional environment will be strengthened to reflect positively on the application of OECD principles of minority shareholders' rights.

Moreover, as the diagram depicts political factors in terms of the political system of such country and its interest groups do have a direct influence on CG. Such influence can be negative as depicted by the red arrows leading to the preference of concentrated ownership structures, pyramid structures and ultimately paving the way for crony capitalism. Such outcome also produces, as seen in the negative

effect of legal factors on CG, undeveloped market that characterised of a compliance audit seeking legitimacy and paying lower level of dividends. However, the green arrows depict positive effects of the political factors. These arrows show how such political system and interest groups can positively influence the legal factors to evolve its regulations, which can ultimately lead to the development of the institutional environment and consequentially will have a positive effect on the application of OECD principles of minority shareholders' rights.

7.3.2 Empirical Contribution:

Hofstede's CVD (1980-2010) has been demonstrated by this study to be capable of providing a rigorously suitable mean to reveal relations between the Saudi national culture and the quality of the application of CG principles found in the OECD forum regarding Minority shareholders' rights (Breuer & Salzmann, 2012). Nevertheless, it should be noted that due to the limited size of the data pertaining to this study and the time frame imposed, the researcher utilised the relevant literature to address possible causations driven by strong correlations found in this study. Hence, the below, empirical contributions of this study are moderately generalizable since the extent of this research findings and conclusions conform with the findings of external resources. For instance, Hofstede's (2010) results regarding the Saudi society's CVD are in line with this research's findings and the reported correlations, found between those CV dimensions and the application of OECD principles of CG, are well grounded in the relevant CG literature. However, the dependability of the extension of this research's findings is not absolute; however, statistically probable as sound generalizability requires data on large populations. Therefore, the reported empirical results below should be extended with care and due diligence taken into account the limited size of data used.

The measurements of Saudi Shareholders' CVD based on OECD principles of CG

Table 7.1: CVD of Saudi Shareholders based on OECD Principles of CG Using the Mode

	Individualism	Power Distance	Uncertainty Avoidance	Masculinity/ Femininity	Long Term Orientation
Hofstede	25	95	80	60	36
This study	49	75	74	48	32

Source: The Author

- ❖ The study provides significant correlations between each of Hofstede's CV dimension and the quality of the exercise of Minority shareholders' rights as defined by the OECD principles in Saudi Arabia. Hence, all hypothesis derived from the literature were supported.

- ❖ One of the most interesting findings of this study is the substantiation of the value of CVD framework at a micro-sociological level. The researcher believes that the application of the CVD framework is not restricted to the arbitrary boundaries of national states at the anthropological level, as set by Hofstede (2010) and discussed on Page (202-203) of this chapter, but rather to the boundaries that define social clusters of social groups on the micro-sociological level as seen in the work of Patel & Rayner (2012). What matters here is the identification of significant *cultural value dimensions* of differences between sub-groups. These CVD dimensions are different as explored in this thesis relating to social classes of Saudi Shareholders. In addition, the prevailing attitudes of sub-groups such as Majority shareholders, who in countries of weak institutions, do provide another model of CG. Hence, *a priori* will differ along a number of dimensions from Minorities as indeed confirmed by this thesis. So, to a large extent, the researcher would argue that the CVD framework is self-justified to be used on a micro-sociological level and such proceeding is productive in unveiling significant correlations between sub-groups and their effects on the level of CG compliance. For example in this study, the distribution of each CV dimension was found not to be the same when comparing the groups of Majority and Minority shareholders. Hence, significant correlations were found when comparing the culture value dimensions of *Individualism, Power Distance, Uncertainty Avoidance, Femininity, and Long term Orientation* between Majority and Minority shareholders. Hence, the significant correlations expose two different subcultures: an active culture pertaining to Majority and a passive culture pertaining to Minority shareholders in Saudi Arabia. It is therefore safe to assume that the nationally active culture of Majority is responsible for the design of the CG system in Saudi Arabia while the passively fatalistic culture of Minority aligns itself to Majority interests (Patel & Rayner, 2012).
- ❖ In addition, each CVD except LTO correlated significantly with the level of information shareholders were aware of concerning their rights. The implications of these findings are consistent with the effect of globalisation and media found in the relevant literature. In summary, this research study suggests that Hofstede's dimensions have the explanatory power to uncover differences in corporate governance worldwide, as has been previously noted in the CG literature (Chan & Cheung, 2012). Therefore, it is typical to find weak Minority shareholders protection and a low level of CG compliance in emerging markets characterised as high on *Power Distance, Collectivism, Uncertainty Avoidance* and low on *Femininity* (Rafiee & Sarabdeen, 2012).

7.4 Research limitations:

This present research study has its limitations. These limitations stem mainly from the size of the data collected, research methodologies employed, and interpretation of findings. Hence, even though the findings of this research study are valuable, they should be viewed in light of the limitations of this present research.

1. The present study was conducted in two major commercial cities in Saudi Arabia: Riyadh, the capital, and Jeddah, which is considered the commercial capital. Therefore, even though the majority of Saudi listed corporations are located in the specific geographical areas of the cities of Riyadh and Jeddah, some of the findings pertaining to Saudi CVD might be specific to these locations. Nevertheless, the CVD of Saudi shareholders' of this study is confirmatory of Hofstede's et al. (2010) findings for Saudi Arabia. Hence, many of the findings of this research can be considered representative of Saudi Arabia as a whole since the units of analysis were Saudi groups of shareholders, and the majority of listed corporations are located in these two cities of Riyadh and Jeddah. However, caution should be exercised since generalisation of the results could be limited based on the size of the data used.
2. A further limitation of this present study is that the population sample of 83 participants classified as Majority, Sophisticated, Minority and Non-shareholders was identified via trading room managers and further tested by the researcher on the level of information awareness possessed. Due to the size of the data, and the locations for the survey, it is possible that these shareholders were not representative of all listed corporations across all sectors. Some of the findings might be sector-specific and generalisation of such findings to all other sectors might be inappropriate. However, the findings regarding the limited amount of information provided to all type of shareholders pertaining to their rights, as prescribed by the OECD principles of CG, via the Saudi Capital Market Authority provides this research with an ability to generalise such findings across all sectors, but with caution.
3. Due to the limited size of the data, 83 participants, the quantitative analysis was not capable of producing causation. Hence, the majority of the findings were correlations. However, reliance on the existing literature has aided in addressing the correlations to a well-established level of 'causation' in the research analysis.
4. This present research study employed a cross-sectional quantitative analysis design of the cultural section. Hence, the observational analysis of the data collected was only done at a specific point in time without taking into account a time-series analysis, which would have been more

indicatively explicit of a behavioural or a cultural change. However, as advised by Hofstede via his email (see Appendix D3), this should not be a point of concern as cultural values are resistant to change over time, which is in confirmation with Max Weber's (1904) emphasis on the persistence of traditional values despite economic and political changes. However, it should be recognised that the researcher kept "an open mind" regarding whether or not cultural values are persistent and considered opposing schools of thoughts such as Karl Marx's (1973) emphasising the convergence of values with economic developments. Eventually, however, the researcher became more convinced that the persistence of Cultural values confirms the views of the present research study as not only does this view conform with the main theory employed by this research, Institutional theory, but it is also in line with Hofstede's advise expressed to the researcher in this regard.

5. The findings of the semi-structured interviews were subject to the 'memory and recall bias' of the participants (Alwin, 1977). Nevertheless, the researcher believes that such bias can be reduced by the careful selection of highly educated experienced participants to mitigating this limitation to some extent.

6. The sample of the semi-structured interviews was quite limited due to the nature of knowledge required, sensitivity of issues, and the limited time frame of this present research study. Consequently, two well-educated experienced lawyers were interviewed along with a highly educated ex-legislator. The interviews were designed to explore their personal perceptions of the legal and political factors that influence the strength of Minority shareholders' protection in Saudi Arabia. Hence, generalisations of the qualitative findings to other stakeholders beyond the scope of this present research are limited as the segments chosen were carefully considered on the ground of the interview constructs.

7.5 Research Implications

This present research study has generated a number of findings that might have relevant implications for policy makers, CG practitioners, and potential CG researchers. However, the implications to be discussed below should not be viewed as being by any means exhaustive as they are intended to stimulate ideas on how such insights from this study might aid policy makers, CG practitioners and future CG researcher with respect to the impact of cultural, legal, and political factors on the rights of Minority shareholders.

7.5.1 Implications for the Accounting Profession and its Monitoring Bodies:

The findings derived from this study pertaining to the cultural, legal, and political factors' impacts on the rights of Minority shareholders and their interplay will be very valuable for practitioners as they seek to enhance the level of CG compliance of listed Saudi companies. For instance:

1. The findings present valuable evidence that the majority of Minority shareholders are aware of only 10 % of their rights as prescribed by the OECD principles. Hence, awareness programmes carried out by SCMA can be valuable to Minority shareholders because they will enable them to become part of the monitoring process of listed corporations they have an interest in.
2. Moreover, the findings of this study present undisputable evidence that Minority shareholders lack appropriate courts of law where their disputes with listed corporations can be settled. Furthermore, traditional courts in Saudi Arabia suffer from the dual judiciary system. Hence, there is a need for a commercial court that can judge cases on CG grounds to preserve the rights of Minority shareholders. To this end, SCMA can initiate or implement a temporary monitoring agency over listed Saudi corporations to look into disputes until appropriate commercial courts can be established.
3. In addition, the findings of this study present insights into the credibility of financial reports produced by licensed audit firms in Saudi Arabia. Hence, there is a need for the SCMA to look into this issue and try to rejuvenate the inactive role of SOCPA to tackle this issue.
4. The Saudi accounting profession should realise the fact that effectiveness in regulating self-dealing is the fundamental element of shareholder protection and a strong predictor of stock market development. Hence, their 'auditing attempts' should highly scrutinise and be on the lookout for these sort of activities when auditing listed Saudi corporations which, due to their concentrated ownership structure, have tempting tendencies for potential self-dealing activities that benefit major shareholders.

5. The Culture value diminution of *Individualism, Uncertainty Avoidance, and Power Distance* imply a high level of information asymmetry between managers and insider investors, Majority shareholders, at the expense of outside shareholders. Hence, this implies the need for greater transparency and disclosure to establish a better reward allocation system based on equity, equal rights and protection for all stakeholders by the accounting profession.

7.5.2 Implications for Policy Makers

The implementation of a concrete legal system is crucial for the development of a strong Minority shareholder protection regime that ultimately covers the whole Saudi Arabian economy. Hence, some of this present study's findings have potentially important policy implications, which are:

1. The high score of the Saudi culture value dimension of *Uncertainty Avoidance* is indicative of the excessive amount of CG laws put in place in Saudi Arabia to avoid the unknown, covered by the institutions of SCC, SMCI, SOCPA, and SHEC. Moreover, the dual legal system complicates the CG process and not only makes it problematic but also affects audit performance. Therefore, policy makers should take into account how such culture value dimensions have caused the accumulation of excessive amount of laws guiding the CG regime in Saudi Arabia, which eventually has contributed to the low level of CG compliance by listed Saudi Corporations.
2. The high score of *Masculinity* by Saudi Majority shareholders should direct Policy makers attention to the fact that Saudi Majority shareholders concern for Minority shareholders and their rights as prescribed by the OECD principles is expected to be minimal, especially when those Majority shareholders are in the position to run corporation on a day to day basis. Hence, future CG legislations should place Majority shareholders under scrutiny to ensure no wrong doing by them might affect the rights of Minority shareholders as prescribed by the OECD principles of Minority shareholders' rights.
3. Policy makers should take notice of institutional investors' increased power to influence management so that they could increase the value of their shares in the short run. Therefore, future legislation should place institutional investors under scrutiny to ensure no privileges are lawfully given to them to excessively exercise influence against Minority shareholders.
4. The absence of specialised courts through which Minority shareholders can redeem their rights legally is currently an obstruction to the growth of CG compliance. Hence, policy makers should strive to bring about specialised commercial courts capable of producing 'authoritative

judgment' in line with OECD principles of CG pertaining to the rights of Saudi Minority shareholders.

5. In addition, Saudi judges, due to their requirement of Islamic qualifications, are not properly equipped to deal with the nature of specialised commercial law suits such as CG. Hence, policy makers should strive to appoint appropriate commercial judges who are academically well equipped with the necessary knowledge to judge cases on the merits of OECD principles of CG pertaining to the rights of Saudi Minority shareholders.
6. Moreover, ease of litigation, low burden of proof, specialty of court, and access to information to examine self dealing by minorities (Djankov et al, 2008) are basic legal privileges not provided by the Saudi legal environment as it stands. Hence, the Saudi Legal environment does not possess an acceptable level of quality of law enforcement, as prescribed by Djankov et al. (2008). Moreover, the arms length approval by disinterested shareholders (Djankov et al, 2008) in legal proceedings is considered an unprecedented practice in the Saudi Legal environment, as noted by all participants. Hence, policy makers should ensure the existence of the necessary authorities to address all of the above obstructive issues to the growth of a strong Minority shareholder protection regime in Saudi Arabia.
7. Policy makers should realise the fact that this low level of significance given to Minority shareholders might be due to the origin of the Saudi Arabia corporate law, which is a product of a historical process shaped by interested parties. The 'civil law effect' can be seen in the distribution of power within CG laws in Saudi Arabia. Evidence from the Saudi legal environment shows that major shareholders possess the ultimate power in listed corporations because the law empowers them to appoint the boards and hold them accountable. Hence, current CG laws should be carefully examined with the aim of protecting the weakest link: Saudi Minority shareholders.
8. Policy makers should be aware of the fact that Saudi legislation has historically contained 'a civil law' tendency guided by precondition-strong mandatory rules stemming from a political view as opposed to a market need. Hence, policy makers should ensure that new CG legislation reflects a need for the market to re-organise its activities.
9. Perhaps, making the legal reform more radical in giving Minority shareholders explicit rights to be prevented from expropriation and enabling them to be remedied might prove to be a progressive step, as suggested by Berglof (1997).
10. Saudi Political Legislators should realise that having a leftist party presence at the Saudi Consultative Council will aid in voicing the opinions of Minorities and represent their interests as the current dominant right-wing party at the Consultative Council is partially responsible of the current state of weak Minority protections. Left-leaning parties are considered one of the

best means through which CG reforms could be accomplished because shareholders, in countries such as Saudi Arabia, are too poorly organised to 'constitute an effective coalition' on the political continuum.

11. Saudi Political legislators should consider whether the absence of a solid constitution has created the potential for market interventions by centralised authorities. Hence, the lack of a solid constitution has weakened the popular pressure to safeguard Minority shareholders' rights.
12. In addition, political legislators should take into account how the existence of a persuasive political voice has become essential for the success of listed Saudi corporations. Hence, it is really difficult for potential entrepreneurs seeking external capital to succeed in the Saudi Market without a persuasive political voice. As such, this effect has highly contributed to an immature capital market in Saudi Arabia.

7.5.3 Implications for Future Studies

As a good research study tends to generate more questions than answers, the conclusions as well as the limitations of this research suggest possible venues for future research, as follow.

1. The dynamics of culture can only be fully understood in light of longitudinal studies that seek to monitor the conditions of CG compliance over a period of time. Hence, to generate richer findings, longitudinal studies of listed Saudi corporations' compliance with OECD principles of CG can be conducted over a period of time. Such a study would be able to investigate any shift in the Saudi culture and its corresponding effect on the quality of compliance with OECD principles of CG due to global harmonisation efforts carried out by the OECD.
2. In addition, future studies can investigate the level of CG compliance of the Saudi Accounting Profession, such as SOCPA and SCMA, with the OECD principles in light of the Saudi culture. The researcher found a discrepancy between SCMA answers on the OECD survey of 2011 aimed at "identifying priorities for regional and country specific CG reforms" (OECD, 2011), and the reality of the practice as detailed in the qualitative discussion of this research.
3. Due to the limited size of the data collected (83 participants); the scope of the quantitative study of this research can be expanded numerically by future research to uncover further findings.

4. The analysis of the quantitative section of the questionnaire revealed that 73.5% of all shareholders required a religious permit from religious scholars to call for the application of the OECD principles of CG pertaining to shareholders' rights in Saudi Arabia. Therefore, this observation should be of great significance for future research as it sheds light on the effect of religion on CG application of OECD principles and the level of compliance with CG principles pertaining to Minority Shareholders' rights in Saudi Arabia. In fact, the present research could not establish such a correlation. Perhaps a bigger sample with a particular focus on the effect of religion might uncover significant findings. In addition, the dominant Islamic sects of a country such as Saudi Arabia should be taken into account with such investigations, as Islamic sects differ in their orientations. For example, some Islamic sects are more focused on justice; hence, a higher level of *Femininity* is expected to be associated with a better level of CG compliance compared to other sects. By contrast, other sects focus more on hierarchy and on followers' unquestioning submission; hence, a higher level of *Power Distance* associated with a lower level of CG compliance is to be expected.
5. The legal and political factors influencing the level of CG compliance of listed Saudi corporations can be examined in terms of the extent to which they are caused by cultural selection criteria. Hence, future research can explore how the Saudi culture has shaped the legal and political framework of CG in Saudi Arabia.
6. One of the most interesting avenues for future research can be a further substantiation of the value of CVD framework at a micro sociological level. Hence, future researchers can take advantage of the application of Hofstede (2010) model on a micro-Sociological level to unveil prevailing attitudes of sub-groups such as Majority shareholders, who in countries of weak institutions do provide another model of CG. Hence, *a priori* will differ along a number of dimensions from Minorities as indeed confirmed by this thesis. So, to a large extent, future researchers can argue that the CVD framework is self-justified to be used on a micro-sociological level and such proceeding is productive as confirmed by this thesis.
7. In addition, future researchers can take advantage of the dimensional framework for assessing CG regimes in developing countries by integrating cultural, legal, and political factors in a unified framework as seen in this thesis. Moreover, such integration confirms the criticality of the variables extracted from the literature, which validates the adopted one-dimensional model of this study. Therefore, other countries of similar culture can rely on the proposed model to

assess the strength of their CG regime in light of Minority shareholders' rights. Moreover, future researchers can focus on the interplay between these factors. And, they can qualitatively or quantitatively measure the political, legal, and political factors all at once as they see fit in accordance with the objectives and paradigms of their studies.

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Legislations, Regulations, and Codes

Saudi Arabia:

1. The Basic Law of Governance of Kingdom of Saudi Arabia, issued by Royal Order No. A/90 of 1992.
2. The Law of the Shura of Kingdom of Saudi Arabia, issued by Royal Order No. A/9 of 1992.
3. The Law of the Council of Ministers issued by Royal Order No. A/13 of 1993.
4. The Saudi Listing Rules. Issued by the Board of the Capital Market Authority Pursuant to its Resolution No. 3-11-2004. Dated 4/10/2004 Based on the Capital Market Law issued Royal Decree No. M/30 dated 2004. Amended by Resolution of the Board of the Capital Market Authority No. 1-36-2012
5. The Saudi Market Conduct Regulations, Issued by the Board of the Capital Market Authority Pursuant to its Resolution Number 1-11-2004. Dated 4/10/2004 Based on the Capital Market Law issued by Royal Decree No. M/30 of 2004.
6. The Saudi Corporate Governance Regulations issued by the Board of Capital Market
7. The Saudi Corporate Governance Regulations issued by the Board of Capital Market Authority Pursuant to Resolution No. 1/212/2006, dated 12/11/2006, based on the Capital Market Law issued by Royal Decree No. M/30, of 2004
8. The Saudi Authorized Persons Regulations Issued by the Board of the Capital Market Authority Pursuant to its Resolution No. 1-83-2005. Dated 28/06/2005 Based on the Capital Market Law issued by Royal Decree No. M/30, dated 2004
9. The Saudi Offers of Securities Regulations, Issued by the Board of the Capital Market Authority Pursuant to its Resolution No. 2-11-2004. Dated 4/10/2004. Based on the Capital Market Law issued by Royal Decree No. M/30 of 2004. Amended by Resolution of Board of the Capital Market Authority No. 1-28-2008. Dated 18/8/2008.
10. The Saudi Company Law, issued by the Royal Decree No: 6 dated 1965.
11. The Saudi Capital Market Law Issued by Royal Decree No. M/30 dated 2004.
12. The Royal Decree No. M/2 1971 concerning establishing the Commercial Court.
13. The Ministerial Decree No. 959, dated 6 August 2006, regarding notice of general meeting of listed companies.

Online Websites

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2. The Saudi Stock Exchange (Tadawul) : <http://www.tadawul.com.sa/wps/portal/HomeEn>
3. Code of Corporate Governance for Public Listed Companies Forth Edition 2010: www.soharpower.com/Uploadimage/ccg%20eng.pdf
4. Saudi Arabian Monetary Agency (SAMA) <http://www.sama.gov.sa/sites/samaen/AboutSAMA/Pages/Home.aspx>.
5. Hofstede's Website: <http://geerthofstede.nl/dimensions-of-national-cultu>

9. APPENDIX A: LITERATURE REVIEW APPENDIX

9.1 APPENDIX A.1: Data Extraction Form

ID	Info-Source & type	Date Search	Scope of Search+ Keyword	Author & Date	Location	Aim of the Research / RQ	Key Findings	Methods	Sample & Exclusion	Suggestion and Comments

9.2 APPENDIX A.2: A Sample of Reviewed Studies

A Sample Table of Culture, CG and Minority Shareholders' Interests

	Info-Source	Date Search	Scope of Search	Author & Date	Location	Aim of the Research / RQ	Key Findings	Methods	Sample & Exclusion	Suggestion and Comments
1	Science Direct	21 May 2013	Cg+ investor protection	Hamadi Matoussi, Maha Khemakhem Jardak (2012)	USA + Tunisia	<p>To investigate the disparity and the determinants of investor protection around the world and their impact on financial market development. More specifically, we build on Williamson's (2000) new institutional economic model to explain this disparity using legal, political and cultural variables</p> <p>1-To what extent can we explain cross-countries variation in corporate governance through informal and formal institutions (captured by culture, law and polity factors)?</p> <p>2- how do corporate governance differences</p>	<p>1-the four levels of social analysis proposed by Williamson can be reduced to three levels, the first level representing the institutions, the second one representing "corporate governance," and the third one representing "economic outcomes".</p> <p>2-operationalize our conceptual model through a mediation analysis, where we argue that the impact of institutions (captured by legal, cultural</p>	Descriptive statistics and ANOVA analysis	81 countries Using World Bank investor protection index. etc (2005 - 2010)	<p>1-LLSV work has revolutionized the study of corporate governance by investigating the legal investor protection around the world. Their results confirm that laws do matter.</p> <p>2-Roe (2003), Pagano and Volpin (2000), and Gourevitch</p> <p>Evitch (2003) look at the political process that influences the law and regulations shaping corporate governance. The political system that determines</p>

						<p>impact capital markets?</p> <p>The International Journal of Accounting 47 (2012) 1–43</p>	<p>and political factors) on financial markets is not direct, but can be explained through an indirect pathway</p>			<p>laws influences the struggle for power that shapes corporate governance inside the firms. People choose the corporate governance system that hurts them the least; they use politics to express their preferences</p> <p>3-Licht (2001), Stulz and Williamson (2003), and Licht et al. (2005) argue that the system of beliefs and values that determines the behavior and actions of individuals within a s</p>
2	Google-scholarly	22 may 2013	Cg+ invest or protection	AMIR N. LICHT* (2001)	US + Israel	<p>The goal of this article is threefold. First, it points out the growing awareness among practitioners and theorists of the relevance of national culture to corporate governance and securities regulation. It shows that efforts to analyze cross-cultural aspects so far have been few and sporadic and thus posits that a systematic cross-cultural theory of corporate governance systems is urgently needed. Second, this article introduces the central concepts and methodologies of cross-cultural psychology and demonstrates their potential usefulness for analyzing problems of the sort discussed here. It highlights in particular the promise held by the CVD framework for producing testable hypotheses with regard to cultural features of corporate governance systems in a similar fashion to standard analyses of corporate finance.</p>	<p>1-national cultures can be seen, metaphorically, as the mother of path dependence dynamics in the sense that they play a role in both the origin and in future development of corporate governance systems</p> <p>2-In their very essence, values are social norms, as social norms affect individual behavior and social institutions</p> <p>3-the social norms addressed in most of the current law and economics literature tend to be particular and context specific and may also change rather quickly. 215 In contrast, values are more general and stable</p>	<p>Theoretical</p> <p>Desk-study</p> <p>About the importance of</p> <p>CVD</p> <p>Hofstede Vs</p> <p>Schwartz</p>	<p>theoretical</p>	<p>The theory advanced in this article also implies an agenda for further research.</p> <p>1-special cultural considerations in corporate governance research and reform sometimes run the risk of relying on myths and stereotypes</p> <p>2-The CVD framework should prove helpful for avoiding such risk, but the few pieces of evidence mentioned in this article are anecdotal at best.</p> <p>3-An interesting direction for further research is to apply the present mode of analysis to other areas of law. This is</p>

						<p>DELAWARE JOURNAL OF CORPORATE LAW</p> <p>Note: the play of hierarchy in shaping CG regimes- provides variables to investigate</p> <p>Amir N. Licht, <i>The Mother of All Path Dependencies: Toward a Cross-Cultural Theory of Corporate Governance Systems</i>, 26DELAWARE J. CORP. L. #, #-# (2001).</p>	1			<p>Especially true with regard to old areas such as contract law and civil procedure.</p> <p>4-They may also prove useful in more recently developed fields like antitrust. Many of these legal fields are now undergoing changes due to internationalization of economic activity. Economic analysis of such fields could be enriched with structured aspects of culture.</p>
3	Google Scholarly	22 May 2013	Cg+ investment or protection	Amir N. Licht a,*, Chanan Goldschmidt a, Shalom H. Schwartz (2005)	Israel	<p>This article advances a new framework for investigating a simple yet fundamental question:</p> <p>In what ways does the law on the books reflect cultural values?</p> <p>We analyze relations between indices of investors' legal rights—as coded by La Porta et al. (LLSV)—and national cultural profiles: hofstede and Shwartz</p> <p>International Review of Law and Economics</p> <p>ftp://ftp.idc.ac.il/Faculty/licht/CLC_G.pdf</p>	<p>1-The article presents evidence on relations between statutory law and culture, especially in the context of corporate governance.</p> <p>2-An analysis of cross-sectional samples of nations from around the world, drawing on national scores on cultural value dimensions from the two leading theories in cross-cultural psychology, demonstrates that corporate governance laws relate systematically to the prevailing cultur²</p>	Discruptive statistics ; mean and medians	Hofstede data + LLSV data +The Djankov Data	<p>1-More generally, the approach employed to uncover these relations suggests a new way to analyze bases of social institutions.</p> <p>Note; important elements of cultural variables with CG along with presentation of previous studies. come back to it</p>
6	Google Scholar	25 sep	CG+religion+ culture	Jeffrey L. Callen	international	<p>This study investigates whether culture in general and religion in particular mitigate earnings management.</p>	<p>1-In particular, we find that earnings management is negatively related to the updated Hofstede (1980)</p>	Multivariate regression	Leuz et al (2003)	<p>3-Our results also indicate that the impact of the legal environment in</p>

	Jastor			<p>Mindy Morel</p> <p>Grant Richardson</p> <p>(2010)</p>	<p>Hypothesis 1: Earnings management is positively Related to the degree of power distance.</p> <p>Hypothesis 2: Earnings management is negatively related to the degree of individualism</p> <p>Hypothesis 3: Earnings management is positively related to the degree of uncertainty avoidance.</p> <p>Hypothesis 4: Earnings management is positively related to the degree of masculinity.</p> <p>Hypothesis 5: Earnings management is negatively related to the degree of long-term orientation</p> <p>Hypothesis 6a: Earnings management is negatively related to the degree of religiosity.</p> <p>Hypothesis 6b: Earnings management is non-negatively related to the degree of religiosity.</p> <p>Hypothesis 7a: Earnings management is more negatively related to Moslem affiliation than to Protestant affiliation.</p> <p>Hypothesis 7b: Earnings management is more negatively related to Protestant affiliation than to Catholic affiliation</p> <p>Hypothesis 8: Earnings management is related to the legal environment, after controlling for religion / culture</p> <p>International Journal of Disclosure and Governance Vol. 8, 2, 103–121</p> <p>www.palgrave-journals.com/jdg/</p> <p>check: Hofstede (1980, 1991) metrics</p>	<p>cultural variable of individualism and positively related to uncertainty avoidance.</p> <p>2-This study also indicates that earnings management is unrelated to religiosity or specific religious denominations despite the social stigma engendered by major religions against manipulative activities. This result can be rationalized in several ways. Unlike tax evasion for example, earnings management is not necessarily viewed by religious adherents as being solely manipulative.</p> <p>Earnings management may be more nuanced and may be ascribed, at least some of the time, to a positive economic activity, namely, management's attempt to signal firm productivity. An alternative explanation is that religious denomination and religiosity matter but they are subsumed by other cultural variables.</p> <p>In our opinion, .</p>	<p>results</p>	<p>31 countries</p> <p>Used for this study</p>	<p>mitigating earnings management is dependent upon culture.</p> <p>In particular, controlling for culture, the Leuzet al (2003) result that legal enforcement mitigates earnings management can no longer be demonstrated. However, we find that earnings management continues to be inversely related to outside investor rights.</p> <p>Limitation and future research</p> <p>Our earnings management study is limited by the aggregated cross-country research design of Leuz et al (2003) which we adopt in this study. Our study could benefit from more disaggregated measures of religious affiliation and religiosity and from a more comprehensive set of country-level data. Furthermore, extending the study of religiosity and earnings management beyond the country level to the CEO-firm level is clearly a desideratum. Does the religiosity or religious affiliation of the CEO mitigate earnings management? We leave these issues for future research.</p>
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9.3 APPENDIX A.3: Results of the Descriptive Analysis

Distribution of studies by articles, conference proceedings, reports and doctoral theses:

Document type	Total documents
Articles	155
Books	93
Theses	10
Working Papers	7
Conference Proceedings	3
Reports	5
Electronic Lectures	3
News papers	1
Total	277

9.4 APPENDIX A.4: literature review technique

Introduction

The network theory of model developed by Hesse (1966-1980) has been used as a literature review technique. The technique of such model is based on the assumption that well-established literature in any subject area "represents a series of nodes in an interlinked network of theoretical and empirical developments" (Ryan, Scapens & Theobald, 2002). Hence, articles containing significant theoretical developments and at the core of the literature have been defined and referred to as the 'grandmothers': "other articles, which are still important in developing significant strands within the literature, we describe as 'mothers' and the remaining as 'daughters' (Ryan et al 2002). In fact, such model has been heavily relied on when constructing the theoretical, cultural, legal, and political literature reviews of this research paper.

In addition, the most cited articles in a subject area were selected for initial readings. Moreover, 'the key articles' cited by the authors as principally generative were identified and read. Such process as advised by (Ryan et al, 2002) was repeated back through time to map out all nodes constructing the elements of such grounded assumption pertaining to the subject and adjacent areas of this research. In addition, an exhaustive literature search process of

published and unpublished studies was transparently carried out and aimed to provide an audit trail of the researcher's procedures and conclusion (Tranfield, Denyer & Smart, 2003). (See APPENDIX A.2).

F. Searching

The first stage of the process was aimed at identifying the cultural impact on the rights of minority shareholders. The second stage was aimed at unveiling the legal factors affecting the strength of minority shareholders rights. The third stage was aimed at exploring the political factors affecting the strength of minority shareholders rights. No studies were found in the Saudi context. Hence, the searching process was set to focus on findings of international studies. Moreover, the literature review was conducted over the period between October 2012 and March 2015. A review strategy was developed to include resources to be looked at and search terms to be used for each resource.

G. Use of Search Terms

In this research study, keywords were systematically generated based on their relevance to the predefined research questions' words as keyword search is a common method of identifying relevant literature (Ely and Scott, 2007). Hence, the strategy used to construct the key words is as follows:

4. Identify major conceptual framework derived from the research questions.
5. Identify synonyms for key terms; Allowing databases' Boolean and Boolean AND to incorporate alternative synonyms.
6. The total number of selected papers was reduced to by investigating the titles and the abstracts in order to exclude articles not addressing the research topic and adjacent areas.

H. Screening

The screening process was performed to select publications, stemming from search terms, meeting the pre-specified inclusion and exclusion criteria. As the pre-determined inclusion criteria recognize a set of characteristics classifying such publication as suitable for analysis, the exclusion criteria identifies a set of characteristics making such publication inappropriate. The tables below show both sets:

3. Inclusion Criteria:

Rational for inclusion	CRITERIA
To gain a wide picture of cultural factors impacting CG	In all countries: barriers to CG compliance

To identify the legal factors affecting the strength of minority shareholder's protection	In all countries: barriers to strength
To identify the political factors affecting the strength of minority shareholder's protection	In all countries: barriers to strength
To capture all sort of evidence	Quantitative & qualitative methods used

4. Exclusion Criteria:

Rational for exclusion	CRITERIA
The researcher can only review studies written in English and Arabic	Studies in other languages than Arabic, and English
Beyond the scope of the current study	Studies not

I. Data Extraction

The data extraction form included five sections: bibliographic information; focus of the study; methodology; findings; and analysis (see APPENDIX A.1).

J. Reporting & Dissemination

Reporting and dissemination of knowledge is the final stage of the systematic literature review process. It requires writing up the findings of the review process and circulating them to potential interested parties. In fact, the results of this review process were reported in at the 2015 BAM conference at the University of Portsmouth on the 8th of September 2015.

10. APPENDIX B: RESEARCH METHODOLOGY

10.1 APPENDIX B.1: Conceptualization & Operationalization of Constructs: Culture Factors

BROAD CONSTRUCT	Semi-Broad Construct	SPECIFIC CONSTRUCT					THEME OF ITEMS OF CONSTRUCT	ITEMS OF CONSTRUCT				
<i>Factors</i>	<i>Norms</i>	<i>CVD Framework Norms = Value Dimensions</i>					<i>Theme for Indices of Investor Legal rights: OECD Principles</i>	<i>Items</i>				
Cultural	Shareholders' Structure and Rights	CVD & Economic Development	CVD & Institutional Environment and CG	CVD & Strength of Investor Protection	CVD & Market maturity	CVD & Dividends Pay out	Rights of Shareholders Disclosure and Transparency Equitable Treatment of Shareholders	Q.1To Q. 33				
		Individualism	Individualism	Individualism								
		Power-Distance	Power-Distance	Power-Distance	Power-Distance							
	Disclosure	Self-Dealing	Uncertainty-Avoidance	Uncertainty-Avoidance	Uncertainty Avoidance	Uncertainty Avoidance						
	Executive Compensation	Insider trading	Masculinity	Masculinity	Femininity	Masculinity						
	Long-Term Orientation	Long-Term Orientation	Long-Term Orientation		Long-Term Orientation							
Socio-Demographic		Age of Shareholder					Age	Q. 34, and Q35				
		Gender of Shareholders					Gender					
Background and Characteristics		Level of Education of Shareholder					Education	Q. 36 - Q. 42				
		Work Experience related to Stock					Work Experience					
												Trading Stock
												Period of trading
												Longest Period held onto shares

		Trading Experience	Ownership Percentage	
			Awareness of Shareholders' rights	

Note:

Ethical Sensitivity: Stems from

Femininity	Individualism
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Less Ethical Sensitivity: stems from

Masculinity	Uncertainty Avoidance
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Constructs for the Questionnaire: Cultural Factors,

BROAD CONSTRUCT	THEME OF ITEMS OF CONSTRUCT	SPECIFIC CONSTRUCT	HOFESTEDE CORESPONDENCE	ITEMS OF CONSTRUCT
OECD PRINCIPLES Of Shareholder's Rights	<i>Basic shareholders' rights</i>	information on a regular basis	LTO=H	Q.1
		Participate & vote in general meetings	PD=L, IND=H	Q.2
		Call a shareholders' meeting		Q.3
	<i>Shareholders' participations on decision concerning-fundamental corporate changes</i>	Elect and remove board	PD=L, IND=H	Q.4
		Share in the profits	LTO=H	Q.5
		Amendments to the statutes	PD=L, IND=H, UA=L	Q.6
		Authorization of additional shares	PD=L, IND=H, UA=L	Q.7
		Pre-Emptive rights	IND=H, UA=L LTO=H	Q.8
		Extraordinary transactions	LTO=H	Q.9
		Issues to be decided at the meeting	PD=L, UA=L	Q.10
		Challenge resolutions	IND=H, PD=L	Q.11
		Remuneration policy for board members	IND=H, PD=L,UA=L	Q.12
		Approval of compensation schemes	IND=H,PD=L,UA=L	Q.13
	<i>Shareholders voting Power</i>	Self-dealing transaction	IND=H, PD=L, UA=L	Q.14
		Equal effects given to all shareholders' votes	IND=H, FEM=H	Q.15
		financial and	LTO=H, UA=L	Q.16
OECD Principles of	<i>Disclosure regarding</i>			

Disclosure and Transparency	material information on:	operating results		
		Major share ownership	PD=L, UA=L	Q. 17
		Related party transactions	PD=L, UA=L	Q. 18
		Foreseeable risk factors	LTO=H, UA=L	Q. 19
		Capital structures	UA=L, FEM=H	Q.20
	<i>exercise of Institutional ownership disclosure to Shareholders</i>	corporate governance and voting policies	FEM=H,PD=L,UA=L	Q. 21
		Procedures on the use of their voting rights.	FEM=H, UA=L	Q. 22
		Material conflicts of interest	UA=L, PD=L	Q. 23
	<i>Disclosure should provide</i>	external and objective assurances	FEM=H, LTO=H, UA=L	Q. 24
OECD Principles of Equitable Treatment of Shareholders'	<i>shareholders of the same series of a class should <u>NOT</u> be treated equally</i>	shares not carrying the same rights	FEM=H, PD=L	Q. 25
		Info about rights attached	IND=H,UA=L	Q. 26
		Changes in voting rights	IND=H, PD=L, FEM=H	Q. 27
	<i>All minority shareholders should <u>NOT</u> be protected from</i>	Actions by controlling shareholders	FEM=H, PD=L	Q. 28
		(gm) procedures disallowing equitable treatment	FEM=H, PD=L, UA=L	Q.29
		Insider trading	FEM=H, PD=L	Q.30
		Board members not disclosing material interest	FEM=H, PD=L	Q. 31
		(CP) disallowing effective means of redress by minorities	FEM=H,UA=L	Q. 32
		(CP) making it difficult and expensive for (cp) minorities to cast votes	FEM=H, UA=L	Q. 33

Sources for Questionnaire's Constructs:

I.	<i>Rights of Shareholders Statements: OECD Principles</i>	<i>Source</i>	<i>Norm</i>
A.	Your basic shareholder rights should include the right to	LLSV (1999) Lichet (2001)	<i>Shareholder's Rights</i>
	6. Obtain relevant and material <u>information on a timely</u> and regular basics	LLSV (1999)	<i>Shareholder's Rights</i>
	7. Participate and <u>vote in general</u> shareholder <u>meetings</u>	Grossman's and Hart's(1987).	<i>Shareholder's Rights</i>
	8. <u>Elect and remove</u> members of the <u>board</u>	<i>OECD 2004</i>	<i>Shareholder's Rights</i>
	9. <u>Share</u> in the <u>profits</u> of the corporation	(LLSV, 2002).	<i>Shareholder's Rights</i>
B.	You shall participate in and be sufficiently informed on decision concerning fundamental corporate changes such as	.. (Bebchuk, Cohen, Ferrell, 2009).	<i>Shareholders' Structures</i>
	1. <u>Amendments</u> to the <u>statutes</u> or articles of incorporation	<i>La Porta et al</i> (1997,1998, 2006)	<i>Shareholders' Structures</i>
	2. <u>Authorization of additional shares</u>	<i>La Porta et al</i> (1997,1998, 2006)	<i>Shareholders' Structures</i>
	3. <u>Pre-Emptive rights: hold first opportunity to but new issues of stock</u>	Lichet (2001)	<i>Disclosure</i>
C.	You shall participate effectively and vote in general shareholder meetings and be informed of	<i>OECD 2004</i>	<i>Shareholder's Rights</i>
	11. <u>Issues</u> to be decided <u>at the meeting</u>	<i>La Porta et al</i> (1997,1998, 2006)	<i>Shareholder's Rights & Self-Dealig</i>
D.	You shall participate in key corporate governance decisions: Thus, Approve	(Lichet, 2001).	Executive Compensation
	1. <u>Remuneration policy</u> for board members and key executives.	(Lichet, 2001).	Executive Compensation
	2. <u>Compensation</u> schemes for board members and employees	<i>Djankov et al</i> (2008)	Executive Compensation& Isidetradig/

	2. <u>Changes in voting rights</u> shouldn't be subject to approval by classes of shares negatively affected	(Claessens, Djankov, Fan, Lang, 1999a).	<i>Shareholder's rights & Structures</i> <i>Self-Dealing</i>
B.	<i>All minority shareholders should <u>NOT</u> be protected from:</i>	(Bebchuk, 1999). (Bebchuk and Kahan, 1999).	<i>Self-Dealing:</i> <i>Source of Private benefit</i>
	1. <u>Actions by controlling shareholders</u> acting directly or indirectly for the benefits of their substantially invested capital		
	2. <u>General meetings'</u> (gm) procedures <u>disallowing equitable treatment</u> of all shareholders.	<i>OECD 2004</i>	<i>Shareholder's rights & Structure</i>
	3. <u>Insider trading benefiting</u> majority shareholders.	(Lichet, 2001).	<i>Insider Trading</i>
	4. <u>Board members not disclosing material interest</u> in transactions they have stake in	Lichet (2001)	<i>Disclosure</i> <i>Self-Dealing</i>
	5. Company procedures (cp) disallowing effective means of <u>redress by minorities</u>	<i>Djankov et al (2008)</i>	<i>Self-dealing</i>
6. Company procedures making it difficult and <u>expensive</u> for (cp) <u>minorities to cast votes</u>	<i>La Porta et al (1997,1998, 2006)</i>	<i>Self-Dealing</i>	

10.2 APPENDIX B.2: Conceptualization & Operationalization of Constructs: Legal Factors: Interviews

BROAD CONSTRUCT	Semi-Broad Construct	SPECIFIC CONSTRUCT	Sources	Nature	
Input: A. Legal	Legal Environment	Agency Conflict between controlling families and minorities	LLSV (1999)		
	Legal Environment	Legal rules + Their enforcements	(LLSV, 1997)		
	Characteristics	Size of capital market	(LLSV, 1997)	Explanatory	
	Corporate Law	Product of a historical process shaped by interested parties	(Jensen and Mecklin, 1976)		
	Company Law	Legal origin civil vs. common	(LLSV, 2000).		
	Distribution of Power	Management’s legal power to run a firm-no effect of other constituencies	(Coffee, 2005)		
	Within the law	Law Empowers majority holders to appoint board and hold accountable	(Coffee, 2005).		
	Institutional Ownership	Use their legal empowerment to influence management to increase their share values in short run- effect of quality of earnings	(Jiang, Rajan, 2009)		
	Legislators	Policy Implementing Focus		(LLSV, 2008)	
		Market supporting focus		(LLSV, 2008)	
		Care exercised is responsible for protection of shareholders		(Lele and Siems, 2006).	
	B. Strength of minority legal protection	Investor Protection	Level of Extensive Disclosure -Private enforcement	LLSV (1999)	
One-share-one-vote mechanism-voting rights			LLSV (1999)		
Nature of legal reform			Berglof (1997)	Explanatory	
Explicit shareholders rights			Berglof (1997)		
Arms’ and Length approval by disinterested shareholders			(Djankov, La Porta, Lopez, Shleifer, 2008).		
Mandatory dividends-					
Quality of law		Ease of litigation= standing to sue	(Djankov et al 2008).		
Enforcement		Low burden of proof	(Djankov et al 2008).		
		Specialty of court of Law			
Output: C. Stock market Development		Criteria for the Quality of Legal Protection	Access to information to examine self dealing	(Djankov et al 2008).	Development
	Dispersed Ownership Structures of shares		(LLSV, 2000) (Coffee, 1999)	Explanatory	
	Liquidity of security market		(Coffee, 1999)	Explanatory	
	Efficient allocation of capital		(LLSV, 2000)	Explanatory	
	Capital market growth -Broad Financial Market	(LLSV, 2000), (Coffee, 1999)	Explanatory		

	Fiduciary duties	Self dealing is the central problem of CG	(Djankov et al 2008).	Explanatory	
		Effectiveness in regulating Self-dealing is the fundamental element of shareholder protection and Strong Predictor of stock market development	(Djankov et al 2008).		
		Private enforcement: Ongoing disclosure of self-dealing transaction with ease of litigation by aggrieved shareholders	Djankov et al 2008).		
		Public enforcement: Prison terms + Fines for self-dealing is not effective as a mechanism	Djankov et al 2008).		
D. Valuation of firms and Earnings	Degree of Legal Protection	Its effect on the valuations of firms	LLSV (2002)	Explanatory	
	Quality of earnings	Increased with IFRS adopted in a strong investor protection countries	(Houqe, Zijl, Karim, 2012)	Explanatory	
	Strong Investor rights	= high returns+ high valuations and performance	(Gompers, Ishii, Metick, 2003).	Explanatory	
	Dividends Pay	Strong protection of minorities = higher paid dividends	(LLSV,2000).	Explanatory	
	Takeover regulations	Setting cost of control as high as possible is for the benefit of minorities	(Grossman and Hart, 1987).	Explanatory	
E. Convergence through concurrence	Expedited privatization	With no minority protection and adequate disclosure leads to expropriation of minorities	(Coffee, 1999)		
	Interest Groups	Convergence through Pressure	Siems (2006)		
	Functional convergence	convergence through congruence		Siems (2006)	
		At the level of security regulation than level of corporate law Globalization: in terms of OECD principles, and other Accounting Standards such as IFRS		(Coffee, and Berle, 1999)	
	Globalization	Transfer of legal knowledge between different legal systems		(LLSV, 2008).	26 items from here be taken

10.3 APPENDIX B.3: Conceptualization & Operationalization of Constructs: Political Factors: Interviews

BROAD CONSTRUCT	Semi-Broad Construct	SPECIFIC CONSTRUCT	Sources	Nature
Input: A. Political factors shaping CG in transition or emerging economy	Voting System	Proportional- majority wins: low degree shareholder protection	(Pagano and Volpin, 2005).	
		Majoritarian-more district wins : high degree shareholder protection	(Pagano and Volpin, 2005).	
	Parties	Left Parties:-preference for pro-shareholder CG reforms	(Cioffi and Hopner, 2006).	
		Left party-fashions new interest group alliance of middle class	(Cioffi and Hopner, 2006).	
		Right Party;-protects reforms of crony capitalism-concentrated ownership	(Cioffi and Hopner, 2006).	
	Institutional factors	A country's institutions may speed up or slow interest group activities	Rajan and Zingales (2003).	
		Provides strong investor protection + developed market or opposite	Bebchuk and Zingales ,2000).	
		Entrepreneurs compelled to choose socially optimal choice of ownership structure	Bebchuk and Zingales ,2000).	
		Depending on institutional context	Controlling families are primary institutions- in the governance of economic systems -produces a new model of governance representing an alternative template to the Anglo American model	Steier (2008)
	Interest group	Interest in foreign investment	Gourevitch (2008)	
		Private initiatives	Gourevitch (2008)	
	Lobbying	Barriers to future policy by families	(Claessens, Djankov, Lang, 2000).	
	Level of government involvement	Centralized Economy- use banks to achieve purpose-facilitate control over investments-non democratic countries	(Coffee, 2001).	
		Decentralized Economy- democratic countries:allowing entrepreneurs to invent their own techniques to make their investments credible for stakeholders	(Coffee, 2001)	
		Free-Private sector from Gov interventions	(Coffee, 2001).	
	Absences of Constitutional Process	Creates potential for government interventions by centralized Authority	Gourveitch (2008)	
		Weakens popular pressure to safe guard shareholder's rights	Gourveitch (2008)	
		Cause block holding model of corporate control	Gourveitch (2008)	
	Nature of legislation	Precondition- Strong Mandatory Rules	Coffee (2001)	
		Strong MKT Creates a demand for legal rules	Coffee (2001)	
		Remedial Legislation- Desirable to establish minority rights	Coffee (2001)	
	Policy	Fewer policy swings-cause block holding remains an attractive	(Gourevitch, 2008).	

		option			
Output: B. Political Economy	Private Benefit of Control	Size of Private benefits Shapes the choice of ownership structure Either concentrated Or diffused	(Bebchuk, 1999).		
	1-psyhic-check	Institutional factors such as weak shareholder protection	(Bebchuk and Zingales, 2000).		
	2-Perquisites-check	Law is lax= private benefits of control is large	"(Bebchuk and Zingales, 2000).		
		Surplus at IPO stage from control transfers despite socially optimal choice	Bebchuk and Zingales (2000).		
	3-Dilution	Separation of cash flow rights and voting rights	(Bebchuk, 1999)		
		Large Private Benefit of control= high concentrated ownership structure	(Dyck and Zingales, 2004).		
		Freeze out value	(Bebchuk and Kahan, 1999).	explanatory	
	Ownership	Excessive Control by States and Families			
		Top management-Members of controlling families	(Claessens, Djankov, Lang, 2000).		
	Concentration	Pyramidal Structures			
		Crony Capitalism	(Coffee, 2001).		
		Difficulty for Potential Entrepreneurs seeking external Capital			
	Reinforcement	Government & Powerful Families- reinforce each other	(Coffee, 2001)		
		Crony Capitalism: uniting both Gov and families	(Coffee, 2001).		
		Law effect becomes minimal	(Coffee, 2001).		
	Firms valuation	High cash flow rights =high market valuation	(Claessens, Djankov, Fan, Lang, 1999a).	Explanatory	
		High voting right= lower market valuation	(Claessens, Djankov, Fan, Lang, 1999a).	Explanatory	
		Separation of control from ownership= lower market valuation	(Claessens, Djankov, Fan, Lang, 1999a).	Explanatory	
		Higher control right= lower market valuation	(Claessens, Djankov, Fan, Lang, 1999b).	Explanatory	
		Cash flow right low and control right high=expropriation of minority	(Claessens, Djankov, Fan, Lang, 1999b).	Explanatory	
	C. Proposition	Institutional	Tax enforcement in reducing size of Private benefits	(Dyck and Zingales, 2004).	
			Better accounting standards	(Dyck and Zingales, 2004).	
		Mechanism of	Better legal protection of minority shareholders	"(Dyck and Zingales, 2004).	
Curbing Private		Better law enforcement	"(Dyck and Zingales, 2004).		
Benefit of control		Intense product market competition	"(Dyck and Zingales, 2004).	explanatory	
		Rate of tax compliance	"(Dyck and Zingales, 2004).		
		High level of diffusion of the press & Media	"(Dyck and Zingales, 2004).		

10.4 APPENDIX B.4: Survey Questionnaire: English

A Questionnaire of the impact of Saudi Arabia Culture on Corporate Governance on Minority Shareholder's Rights

Introduction

Dear Minority Shareholder,

Recognizing that the future of the Saudi Stock Market will be largely based on investments of mass-minority shareholders' segment, we are very eager to learn about your own experiences. In particular, we seek information on what you consider to be key factors of the success of your investments. Your contribution in this survey is therefore very important to identify these factors. By completing this questionnaire, the data you provide will lead to a series of recommendations to ensure the success of minority shareholders' trading in the Saudi Stock Market.

Purpose of Questionnaire:

To Measure Saudi Minority Shareholder's value dimensions in Relation to OECD principles of Corporate Governance pertaining to Minority Shareholders' rights

Instruction

- Please complete this questionnaire accurately and objectively. In the absence of an option that accurately reflects your views, please choose the answer that seems relevant, and add any comment or explanation that you deem useful to illustrate your answer. Otherwise, **SKIP** to the next question
- Most questions can be answered simply by ticking a box.
- All of the answers you provide in this questionnaire **WILL BE KEPT CONFIDENTIAL**. All information given will be used for the purpose of this research only. The study is being carried out in accordance with the UK Market Research Society's guidelines.
- The questionnaire should take **ABOUT 15 MINUTES** to complete.
- The results of this research will be presented in the thesis to be submitted to the University of Gloucestershire, as required by the doctoral degree.
- If you want a copy of the results of the study, please fill out your name, address or e-mail in the last page of the questionnaire.
- Please return the completed questionnaire **BEFORE 4th of NOVEMBER 2014**.
- **Rapid Feedback Score** is provided at the end of the questionnaire; instruction of calculation's method is presented for each section to generate accumulative score on your success rate as an investor along with personalized , level-specific financial advice for you.

Post : Faisal Alfordy The Park, Cheltenham GL50 2RH, UK	Email : f.alfordy@glos.ac.uk
Mobile Phone: (0044) 7747581144	Fax : (0044) 07747581144

Feel free to contact us if you would like any additional information.

Thank you very much for your cooperation

Faisal D Alfordy

1. As an investor, to what extent you believe the following statements concerning your Rights are autonomously important to ensure the success of your investments?

(Please indicate your opinion regarding each statement by ticking the appropriate box)

(SA = Strongly agree; A = Agree; N = Neutral; D = Disagree; SD = Strongly disagree)

I.	<i>Rights of Shareholders Statements</i>	SA	A	N	D	SD
A.	<i>Your basic shareholder rights should include the right to :</i>					
	13. Obtain relevant and material information on a timely and regular basics					
	14. Participate and vote in general shareholder meetings					
	15. Call a shareholders' meeting					
	16. Elect and remove members of the board					
	17. Share in the profits of the corporation					
B.	<i>You shall participate in and be sufficiently informed on decision concerning fundamental corporate changes such as:</i>					
	5. Amendments to the statutes or articles of incorporation					
	6. Authorization of additional shares					
	7. Assignment of Pre-Emptive Rights: given you the first opportunity to buy new issues of stock					
	8. Extraordinary transactions resulting in the sale of the company					
C.	<i>You shall participate effectively and vote in general shareholder meetings. Hence, you shall:</i>					
	18. Be Informed of Issues to be decided at the meeting					
	19. Place items on the agenda of general meetings					
	20. Propose resolutions, subject to reasonable limitations					

	21. Challenge resolutions benefiting controlling shareholders					
D.	<i>You shall participate in key corporate governance decisions: Thus, you shall Approve:</i>					
	4. Remuneration policy for board members and key executives.					
	5. Compensation schemes for board members and employees					
	6. Self-dealing transaction affecting disinterested shareholders such as yourself					
E.	<i>Your votes should be given:</i>					
	2. Equal effect whether cast in person or in absentia or by Mail.					

How do these shareholders' rights relate to your own practical experience?

3. Listed below are some Disclosure and Transparency factors that may contribute to your success as an investor in assessing your decisions of whether to hold onto you're shares or sell them. How important do you believe these factors are?

(Please select the appropriate answer by ticking the appropriate box)

(VI = Very important; I = Important; N = Neutral; NI = Not important; NVI = Not very important)

II.	<i>Disclosure and Transparency Statements</i>	<i>VI</i>	<i>I</i>	<i>N</i>	<i>NI</i>	<i>NVI</i>
A.	<i>Disclosure should include, but not be limited to, material information on:</i>					
	1. The financial and operating results of a company.					
	2. Major share ownership and voting rights.					
	3. Related party transactions: all material facts about such transaction or the following : (a) description of the assets; (b) nature and amount of consideration; and c) explanation for the price					
	6. Foreseeable risk factors.					
	7. Capital structures enabling certain shareholders to obtain a degree of control disproportionate to their shares					
B.	<i>The exercise of ownership rights by institutional investors, should be facilitated and disclosed: therefore, <u>Institutional</u> investors should Disclose:</i>					
	1. Their overall corporate governance and voting policies					
	2. Procedures they have in place for deciding on the use of their voting rights.					
	3. Material conflicts of interest affecting the exercise of key ownership rights					
C.	<i>Disclosure should:</i> 1. Provide an external and objective assurances to shareholders					

How do these disclosure and transparency principles relate to your own practical experience?

3. With reference to your investments, please evaluate the extent to which the following Equitable Treatment problems impact on your success as a shareholder?

(Please indicate your opinion regarding each statement by ticking the appropriate box)

(SA = Strongly agree; A = Agree; N = Neutral; D = Disagree; SD = Strongly disagree)

III.	<i>Equitable Treatment of Shareholders' Problems</i>	<i>SD</i>	<i>D</i>	<i>N</i>	<i>A</i>	<i>SA</i>
A.	<i>All shareholders of the same series of a class should <u>NOT</u> be treated equally:</i>					
	3. Within any series of a class, all shares should not carry the same rights.					
	4. Info about rights attached to shares shouldn't be obtained before purchasing.					
	5. Changes in voting rights shouldn't be subject to approval by classes of shares negatively affected.					
B.	<i>All minority shareholders should <u>NOT</u> be protected from:</i>					
	7. Actions by controlling shareholders acting directly or indirectly for the benefits of their substantially invested capital.					
	8. General meetings' (gm) procedures disallowing equitable treatment of all shareholders.					
	9. Insider trading benefiting majority shareholders.					
	10. Board members not disclosing material interest in transactions they have stake in.					
	11. Company procedures (cp) disallowing effective means of redress by minorities.					
	12. Company procedures making it difficult and expensive for (cp) minorities to cast votes.					

How do these equitable treatment principles relate to your own practical experience?

SECTION 2: DEMOGRAPHIC INFORMATION

1. Your age:

- 18-24 25-45 > 45

2. Your gender:

- Male Female

3. Your educational level?

- None High School University diploma
 Bachelor degree Master degree PhD degree

- Other (Please specify):

4. Have you had any previous work experience related to share trading?

- Yes No if Yes, Specify Occupation:

5. Have you been trading in the stock market?

- Yes No if No, Move to **Q.8**

6. For how long have you been trading in the Stock Market?

- < 1 years 1-3 years 4-10 years 1-20 years

7. What is the longest period you have held onto a certain class of shares?

- <1 month 2-3 months 4-6 Months 6-12 months 1 year 2-3 years >4 years

8. From this Questionnaire, how much information have you been aware of regarding your rights as a shareholder?

- <10% 20-30% 40-60% 70-80% 90-100%

9. Will you require the blessing of a religious scholar to enforce these rights of yours to make sure these rights don't interfere with Islamic Commercial Laws?

- Yes No if yes, Explain why:

10.5 APPENDIX B.5: Survey Questionnaire: Arabic

التأثير الثقافي على حوكمة الشركات وحقوق صغار المساهمين في المملكة العربية السعودية

مقدمة

الأخ المساهم

إدراكاً منا بأن مستقبل سوق الأسهم السعودي يستند إلى الحد كبير على استثمارات فئة صغار المساهمين، نحن نرجو أن نتعرف على خبراتكم الخاصة بكم، ونسعد بطلو جهاتكم للحصول على معلومات حول لوائح وأعمال نيابة التفتيش ونأهات مساهمين جاح استثماراتكم في سوق الأسهم.

من هذا المنطلق، فإن مشاركتكم في هذا الاستبيان مهمة جداً لتحديد هذه العوامل.

البيانات والمعلومات التي ستوفر ونها من خلال إجابتكم على أسئلة هذا الاستبيان سوف تساهم في تقديم سلسلة من التوصيات المقترحة لتهيئة سوق المال في المملكة العربية السعودية من أجل ضمان نجاح استثمارات فئة صغار المساهمين في سوق الأسهم السعودي.

هدف الإستبيان

معرفة التأثير الثقافي على حوكمة الشركات وحقوق صغار المساهمين في المملكة العربية السعودية، والذي يؤدي بالتقديم توصيات بشأن كيفية وضع استراتيجيات لتشريعات قانونية تحفظ حقوق صغار المساهمين، بحيث تكون متلائمة مع التركيبة الاجتماعية لسكان المملكة العربية السعودية لخدمة أبعادها التجارية.

تعليمات عامة

• يرجى الإجابة على كل أسئلة هذا الاستبيان بصدق وأقصى قدر ممكن من الدقة، وفي حالة عدم وجود خيار من الخيارات المعطاة يعكس وجهة نظركم عن الموضوع، يرجى اختيار الإجابة الأقرب للصواب، والقيام بوضوح بتعليق أو تفسير تروناهم مناسباً لتوضيح إجابتكم.

• يمكننا الإجابة ببساطة على معظم أسئلة بوضوح مع إعلامنا بالمرء المناسب.

• كونوا علمتة أن جميع الأجوبة التي ستقدمونها في هذا الاستبيان سوف تعامل بسرية تامة. جميع المعلومات المقدمة سوف تستخدم لأغراض البحث العلمي فقط. هذا الأمر استنفذ وفقاً للمبادئ التوجيهية للجمعية البريطانية لأبحاث السوق.

• الاستبيان ينبغي أن يأخذ حوالي عشرين دقيقة لإكماله.

• نتائج هذا البحث سوف تعرض في رسالة الدكتوراه التي ستقدمها للجامعة بحلول شهر تشرين الثاني.

• إذا كنتم غائبين، نرجو منكم إرسال نسخة من نتائج البحث إلى كاتب اسمكم عنكم في الصفحة الأخيرة من هذا الاستبيان.

• يرجى إعادة أو ملئ هذا الاستبيان قبل تاريخ 4 نوفمبر 2014

البريد الإلكتروني:	رقم الهاتف:
f.alfordy@uoh.edu.sa	0530304000

لا تترددوا في الاتصال بنا إذا كنتم غائبين، نرجو منكم إعلامنا بوضوح.

شاكراً لكم مساندة تعاونكم، ولكمخالص التقدير والإحترام

فيصل بن حماد الفريدي

استبيان عن تأثير الثقافة السعودية على حوكمة الشركات فيما يختص بحقوق صغار المساهمين

1- كمستثمر في مجال الأسهم: إلى أي درجة تؤمن أن المبادئ المعروضة (أدناه) والمتعلقة في حقوقك كمساهم مهمة لنجاحك؟

أولاً	مبادئ حقوق المساهمين	أوافق بشدة	أوافق	محايد	لا أوافق	لا أوافق بشدة
أ-	تشتمل حقوقك الأساسية كمساهم على التالي: الحصول على المعلومات الخاصة بالشركة في الوقت المناسب وبصفة منتظمة					
	المشاركة والتصويت في الاجتماعات العامة للمساهمين					
	طلب إقامة اجتماع للمساهمين					
	انتخاب أو إزاحة أعضاء مجلس الإدارة					
	الحصول على حصص من أرباح الشركة					
ب-	لك الحق كمساهم في المشاركة والحصول على معلومات كافية عن القرارات المتصلة بالتغيرات الأساسية في الشركة ومن بينها: التعديلات في النظام الأساسي أو في مواد تأسيس الشركة					
	طرح أسهم إضافية					
	تخصيص الحق الاستباقي: حيازة الفرصة الأولى لشراء الاصدارات الجديدة من الأسهم					
	أي من التعاملات الغير عادية والتي قد تسفر عن بيع الشركة					

					<p>ج- ينبغي أن تتاح لك كمساهم فرصة المشاركة الفعالة والتصويت في الاجتماعات العامة للمساهمين عن طريق:</p> <p>إخطارك بالمسائل التي تستهدف اتخاذ قرارات بشأنها خلال الاجتماعات</p> <p>إتاحة الفرصة لك لإضافة موضوعات إلى جداول أعمال الاجتماعات العامة</p> <p>إتاحة الفرصة لك لاقتراح بعض الحلول (مشروطة بوضع حدود معقولة لذلك)</p> <p>اعتراض الحلول العائده بالفائده على كبار المساهمين</p>	
					<p>د- ينبغي لك المشاركة الفعالة في القرارات المختصة في حوكمة الشركات والإفصاح عن رأيك وموافقتك فيما يتعلق بـ:</p> <p>سياسة المكافأة والأجر لأعضاء مجلس الإدارة والمدراء التنفيذيين</p> <p>المرتبات والمزايا الممنوحة لأعضاء مجلس الإدارة والموظفين</p> <p>تتنافر فيها مصلحة أعضاء مجلس الإدارة والمدراء العمليات الذاتية التي التنفيذيين واجبه تجاه الشركه و تضر بك كمساهم</p>	
					<p>هـ- تصويتك كمساهم ينبغي أن:</p> <p>يعطي نفس الوزن للأصوات المختلفة سواء كنت حاضراً أو بالنيابة</p>	

كيف تجد العلاقة بين حقوق المساهمين (في الأعلى) وتجربتك كمساهم؟

2- هناك مبادئ للشفافية والإفصاح قد تساعد على نجاحك كمساهم عند تقييم قراراتك بالاحتفاظ ببعض الأسهم أو بيعها، إلى أي درجة تؤمن بأهمية هذه المبادئ فيما يختص باتخاذ قراراتك الاستثمارية؟

ثانياً	مبادئ الإفصاح والشفافية	مهم جداً	مهم	محايد	غير مهم	غير مهم جداً
أ-	يجب أن يشمل الإفصاح لك كمساهم (ولكن دون أن يقتصر) على الأمور التالية: النتائج المالية والتشغيلية للشركة					
	كبار الملاك وحقوق التصويت					
	العمليات المالية مع ذوى العلاقة من أعضاء مجلس الإدارة والمدراء التنفيذيين بمسائل تضر الشركة وحقوقك كمساهم					
	المخاطر المتوقعة					
	الهيكل والترتيبات الرأسمالية التي تمكن أعداد معينة من المساهمين ممارسة درجة من الرقابة لا تتناسب مع حقوق الملكية التي بحوزتهم					
ب	ينبغي على أصحاب المصالح من (الشركات الخاصة و الحكومية المالكة لبعض الأسهم (عند ممارسة حقوق ملكيتها في نفس الشركة التي تمتلك أسهم بها الإفصاح عن: - ألياتهم الموضوعة لحوكمة الشركة المعنية وقواعد تصويتهم					
	- قواعدهم الموضوعة لاستخدام حقوقهم في التصويت في الاجتماع العام للمساهمين					
	أي تضارب في المصالح بينهم وبين الشركة المعنية والذي قد يؤثر على حقوقك كمساهم					
ج-	الإفصاح يجب أن : يقدم ضمانات عادلة و موضوعيه لك كمساهم عن القوائم المالية وغير المالية للشركة المساهمة					

كيف تجد العلاقة بين مبادئ الإفصاح والشفافية (في الأعلى) و تجربتك كمساهم؟

3- بالرجوع إلى استثمارك في مجال الأسهم، الرجاء تقييم درجة تأثير مشاكل المعاملة المتكافئة لجميع المساهمين على نجاحك:

أوافق بشدة	أوافق	محايد	لا أوافق	لا أوافق بشدة	مشاكل المعاملة المتكافئة لجميع المساهمين	ثالثاً
					يجب التمييز بين جميع فئات المساهمين: ففي داخل كل فئة من فئات المساهمين يجب أن لا يحصل جميع المساهمين على نفس حقوق التصويت	أ-
					المعلومات الخاصة بحقوق التصويت الممنوحة لكافة فئات المساهمين ينبغي ألا تتوفر قبل قيامهم بالشرء	
					لا ينبغي موازنة صغار المساهمين على أي من التغييرات في حقوق التصويت كبار المساهمين	
					لا ينبغي حماية صغار المساهمين من: العمليات المالية لكبار المساهمين التي منشأها خدمة مصالحهم الخاصة بشكل مباشر أو غير مباشر	ب-
					قرار اتالاتجتماعاتالعامتلمساهمينالتيتمنعحقالمساواةفيالمعاملةلجميعالمساهمين	
					عمليات تداول الأسهم التي تستند إلى معلومات داخلية من شأنها خدمة مصالح كبار المساهمين	
					عدمإفصاحأعضاءمجلسالإدارةعنمصالحشخصيةفيبعضالتعاملاتالتجارية	
					النظام الأساسي للشركة الذي قد يعيق توفير أي آلية لصغار المساهمين تمكنهم من إعادة المطالبة بحقوقهم	
					النظامالأساسيللشركةالذيقديصعبأوقديكونمكلفمادياًلصغارالمساهمينلإدلاءبأصواتهم	

كيف تجد العلاقة بين مبادئ المعاملة المتكافئة للمساهمين (في الأعلى) و تجربتك كمساهم؟

القسم الثاني: معلومات ديموغرافية

الرجاء وضع دائره على الإجابة المناسبة :

1- عمرك:

18- 24 سنة 25- 45 سنة < 45

2- جنسك

ذكر أنثى

3- تعليمك:

دبلوم عالي ثانوية عامة لا يوجد بكالوريوس ماجستير دكتوراه أخرى (الرجاء التحديد)

4- هل تمتلك خبرة عمل سابقة في مجال الأسهم ؟

نعم لا في حالة الإجابة بنعم (الرجاء وصف مسمى العمل السابق)

5- هل تتاجر في سوق الاسهم؟

نعم لا في حالة الإجابة ب لا (الرجاء الذهاب السؤال الثامن 8)

6- كم هي عدد سنوات تبادلك في سوق الأسهم ؟

> 1 سنة 1- 3 سنوات 4- 10 سنوات 11- 20 سنة

7- كم هي أكثر فترة احتفظت بها بسهم معين ؟

> 1 شهر 2- 3 شهور 4- 6 أشهر 6- 12 شهر 1 سنة 2- 3 سنوات < 4 سنوات

8- من هذا الاستبيان كم هو حجم المعلومات المتعلقة بحقوقك كمساهم كنت تمتلك معلومات سابقه عنها أو تم أخطارك بها ؟

> 10% 20- 30 % 40- 60 % 70- 80 % 90- 100 %

9- هل تحتاج مسبقاً الى رأي هيئة كبار العلماء بشأن حقوق المساهمين الدولية قبل أن تطالب بتطبيقها في سوق الأسهم السعودي؟

نعم لا في حالة الإجابة بنعم (الرجاء التوضيح لماذا)

آراء و اقتراحات: الرجاء كتابة أي اقتراح أو ملاحظة بخصوص المواضيع التي تم تغطيتها في هذا الاستبيان

10.6 APPENDIX B6: Interview Guide: English

Interview Guide:

Introduction of interviewer Hello, my name is _____. Following the results of the quantitative study, I would like to _____.

During the interview, I would like to discuss the different external factors: economic factors, technological factors, socio-cultural factors, political-legal factors and micro-environment factors. With these topics in mind...

Source	Main Question	emphasis	Clarifying Question
A. Legal Environment	What could you say about the effect of the legal environment; legal rules, their enforcements and specialized courts on the nature of listed Saudi Companies' compliance with CG laws pertaining to minorities' rights	*Legal rules *Law enforcements *Specialized Courts	Could you expand a little on this?
	What could you say about the effect of corporate law and company law: in terms of their origin and modification by interested parties on the nature of listed Saudi companies' compliance?	*Interested parties: controlling families *Legal origin-Egypt- "French civil-law"	Is there an Agency Conflict between controlling families and minorities?
	What could you say about the effect of the distribution of power within the law-either allowing top management to run the show or major shareholder on the nature of listed Saudi companies' compliance?	*Top management Vs major shareholders	Is the top management a part of controlling families who are the major shareholders?
	What could you say about the effect of institutional investors using their legal empowerment to influence management to increase their share values in the short run-on the nature of listed Saudi companies' compliance?	*Legal empowerment *Short term profit drive	
	What could you say about the effect of the nature of legislation of either the market supporting focus or policy implementing focus on the nature of listed Saudi companies' compliance?	*Policy focus- Precondition-Strong Mandatory Rules-Civil *Market focus- MKT creates a demand for legislation- common *Care exercised	
B. Strength of minority legal protection	What could you say about the effect of the existing minority protection's legal procedures put in place in Saudi Arabia on the nature of listed Saudi companies' compliance??	*Extensive Disclosure *One-share-one-vote *Mandatory dividends *Explicit shareholders rights *Arms' and Length -- approval by disinterested shareholders	A specialized lawyer capable of answering these questions Or Audit firms -partners

	What could you say about the effect of the quality of law enforcement regarding the means of redress by minorities on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> *Ease of litigation *Low burden of proof *Specialty of court of Law *Access to information to examine self dealing 	Could you give an example on this?
C. Stock market Development	What could you say about the effect of the existing Saudi Arabia CG law regulating the problem of Self-dealing on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> *Ongoing disclosure of self-dealing *ease of litigation by aggrieved shareholders *Prison terms + Fines for self-dealing 	Could you give an example on this?
E. Convergence through concurrence	What could you say about the effect of the expedited privatization on the level of Minority protection and adequate disclosure existed in Saudi Arabia? and ultimately its overall effect on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> *expedited privatization *minority protection *adequate disclosure 	Can you give an example? Which led to expropriation to minorities?
	Do you think the potential existence of interest groups, other than controlling families and institutional investors, may affect the CG level of convergence with international CG standards regarding minority rights and ultimately the nature of listed Saudi companies' future compliance?	<ul style="list-style-type: none"> *Interest groups *OECD principles *IFRS 	<p>What do you expect this sort of interest group to be made of?</p> <p>Will globalization have such an effect on that?</p>
	Do you think the transfer of legal knowledge between the Saudi legal system pertaining to Minority's rights and other systems might benefit the nature of listed Saudi companies' future compliance?	<ul style="list-style-type: none"> *Civil *Common 	Which legal system is more likely to benefit the Saudi System? Why?

Source	Main Question	Emphasis	Clarifying Question
Political factors shaping CG	What could you say about the effect of the Saudi proportional voting system on the nature of listed Saudi companies' compliance with CG laws pertaining to minorities' rights?	<ul style="list-style-type: none"> *Left Party- Pro CG Reform & creates Interest group-Mid Class *Right Party- Pro Crony & concentrated Ownership *Level of Policy Swings 	
	What could you say about the effect of Saudi Arabia's Institutions on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> *Speed or Slow Interest - group Activities *Provides strong investor protection *Entrepreneurs compelled to choose (Dispersed) *Controlling Families as an institution -producing a new model of CG 	Could you expand a little on this?

Repetitive	What could you say about the effect of interest groups' lobbying on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> *Interest in foreign investment *Private initiatives: Pro-diffusion *Barriers to future policy by families as an interest group 	Could you give an example of Barriers to future policy by families?
	What could you say about the effect of the level of Saudi government's Involvement in the economy on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> *Centralized Economy- use banks to facilitate control * Decentralized Economy- Free-Private sector 	
	What could you say about the effect of the Absences of Constitutional Process on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> *Creates potential for government interventions *Weakens popular pressure for minority rights *Cause block holding model of corporate control 	Could you expand a little on this?
	What could you say about the effect of the nature of legislation on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> * Precondition- Strong Mandatory Rules-civil law * MKT Creates a demand for legal rules-common law * Remedial Legislation- to establish minority rights 	Could you explain how the legal and political legislations interact?
Political Economy	What could you say about the effect of the size of private benefits of control on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> *Shapes the choice of ownership structure * Weak Institutions= high Surplus extract *Surplus at IPO- Large *Law is lax= H Private B *Separation of cash flow rights and voting rights 	Researcher needs to explain what is meant by "Private Benefits within the context of political economy" to utilize the answer of this question. Use of emphasis is beneficial to explain the dimensional political effect
	What could you say about the effect of having a persuasive political voice in creating a Concentrated ownership structure and its overall effect on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> *Excessive Control by States and Families: top MGT *Pyramidal Structures *Crony Capitalism *Difficulty for Potential Entrepreneurs seeking external Capital 	Could you Give an example of the political voice effect?
	What could you say about the effect of the constant reinforcement by the Saudi Government and controlling families for each other on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> *Crony Capitalism: uniting both Gov and families *Law effect becomes minimal 	Could you Give an example of the reinforcement practice?
Proposition	What kind of Institutional mechanism of curbing private benefits of control can have a positive effect on the nature of listed Saudi companies' compliance?	<ul style="list-style-type: none"> *Rate of Tax Compliance *legal protection of minority *level of diffusion of the press *Media exposing bad practices *Better accounting standards *Better accounting standards * Better law enforcement 	

10.7 APPENDIX B.7: Interview Guide: Arabic

دليل المقابلة

مقدمة المقابلة : السلام عليكم ورحمة الله اسمي فيصل بن ضيف الله بن حماد الفريدي

خلال المقابلة: ارغب بمناقشة العوامل المختلفه من قانونيه و سياسيه و اقتصاديه ومدى تأثيرها على طبيعة تجاوب الشركات السعوديه المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين مع الاخذ بعين الاعتبار هاذة العوامل المختلفه : اود سماع رايبك بما يتعلق بكل عامل تحت ضوء القافه السعوديه

المصدر	السؤال الرئيسي	أبرز و تشديد	الاسئلة التوضيحية
A. البيئه القانونيه	ماهو رايبك عن تأثير البيئه القانونيه: من قوانين و تطبيقات و وجود محاكم متخصصه على طبيعة تجاوب الشركات السعوديه المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*القوانين *تطبيق القانون *المحاكم المتخصصة	هل من الممكن التوسع في هاذا الشق؟
	ماهو رايبك عن تأثير قوانين الشركات والمؤسسات: من ناحية مصدرها (المنشئ) وتحويلها من قبل الجماعات المصلحيه على طبيعة تجاوب الشركات السعوديه المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*الجماعات المصلحيه: لاعوائل المتحكمه *مصدر القانون: مصر-القانون المدني الفرنسي	هل يوجد تضارب مصالح مابين العوائل المتحكمه و صغار المساهمين؟
	ماهو رايبك عن تأثير توزيع القوة قانونيا بحيث تسمح لادارات العليه لادارة الشركات المساهمه او تسمح لكبار الملاك من المساهمين على طبيعة تجاوب الشركات السعوديه المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*الادارة العليا & وكبار الملاك	هل الادارة العليا مشكله من افراد العوائل المتحكمه الذين هم كبار الملاك؟
	ماهو رايبك عن تأثير اصحاب المصالح من (الشركات الخاصه و الحكوميه المالكه لبعض الاسهم) باستخدام قواهم القانونيه لتأثير على ادارة الشركات لرفع قيمة اسهمهم على المدى القصير على طبيعة تجاوب الشركات السعوديه المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*تمكين القانون *اندفاع خلف الربحيه على المدى القصير	
	ماهو رايبك عن تأثير طبيعة تشريع (سن القوانين) سواء كانت متمركزه على دعم السوق او متمركزه على سياسة (التشريع التطبيقي) على طبيعة تجاوب الشركات السعوديه المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*تمركز تشريعي-مسيق- قوانين جبريه قويه-القانون المدني *تمركز على دعم السوق-السوق يخلق الطلب للتشريع-القانون العام *الاهتمام المفضل بالتشريع	
B. قوة التشريعات القانونيه المختصه بحماية صغار المساهمين	ماهو رايبك عن تأثير التشريعات القانونيه المختصه بحماية صغار المساهمين الموجوده في المملكه العربيه السعوديه على طبيعة تجاوب الشركات السعوديه المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*افصاح مستفيض *صوت لكل سهم *توزيع جبري لارباح الاسهم *حقوق صغار المساهمين واضحه *موافقه مستفيضه من قبل المساهمين المتضررين (عمليات الذاتيه) وغيرها	
	ماهو رايبك عن تأثير جودة تطبيق القوانين المختصه بوسائل تعويض صغار المساهمين على طبيعة تجاوب الشركات السعوديه المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*تسهيل رفع الدعاوى للقضاء *حد ادنى من الادله *تخصصية المحاكم	هل من الممكن اعطاء مثال عن هاذا؟

		*سهولة الوصول لمعلومات تختبر حصول (عمليات ذاتيه)	
C. تنمية سوق الاسهم	ما هو رايك عن تأثير قوانين حوكمة الشركات الموجودة في المملكة العربية السعودية على تنظيم مشكلة (التعامل الذاتي الذي تنتافر فيه المصلحه والواجب) على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*افصاح متجدد عن (العمليات الذاتية) *تسهيل رفع الدعوى للقضاء من قبل الساهمين المتضررين *مدة سجن & عقوبات ماليه على (العمليات الذاتية)	هل من الممكن اعطاء مثال عن هذا؟
E. التقارب من خلال الائتلاف	ما هو رايك عن تأثير تسريع الخصصه على معدل (مقدار) قوانين حماية صغار المساهمين و ملائمة مبادئ الإفصاح في المملكة العربية السعودية؟ وتأثيرهما الكلي على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*تسريع الخصصه *قوانين حماية صغار المساهمين *ملائمة مبادئ الإفصاح	هل من الممكن اعطاء مثال قاذ الاستيلاء او مصادرة حقوق صغار المساهمين؟
	هل تعتقد ان احتمالية وجود جماعات مصلحيه غير العوائل المتحكمه بالاقتصاد و (الشركات الخاصه والحكوميه المالكه لبعض الاسهم) قد يودي الى تقارب قوانين حوكمة الشركات السعودية مع قوانين الحوكمه الدوليه بما يختص بحقوق صغار المساهمين و قد يؤثر كليا على طبيعة تجاوب الشركات السعودية المساهمه في المستقبل؟	*الجماعات المصلحيه *OECD مبادئ *IFRS القوانين المحاسبيه الدوليه	من تتوقع ان يشكل افراد هاذه الجماعه المصلحيه؟ وهل العولمه قد تقود او تآثر عل هاذا التشكل المصلحي؟
	هل تعتقد ان تتافل الخبرات و المعرفه القانونيه مابين النضام القانوني السعودي بما يختص بحقوق صغار المساهمين مع الانضمام الا القانونيه الاكثر تقدما قد يثري و ينفع طبيعة تجاوب الشركات السعودية المساهمه في المستقبل؟	*القانون المدني *القانون العام	من هو النضام القانوني الذي يمتلك اوفر حض لائراء ومنفعة النضام القانوني في المملكة العربية السعوديه؟ ولماذا؟

المصدر	السؤال الرئيسي	أبرز و تشديد	الاسئله التوضيحيه
العوامل السياسييه المشكله لحوكمة الشركات المساهمه	ما هو رايك عن تأثير (الاقتراع التناسبي (تصويت الاغلبيه)) السعودي (على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*الحزب اليساري- مع اصلاح انضمام الحوكمه & يخلق جماعات مصلحيه مشكله من الطبقة المتوسطه *الحزب اليميني- مع راس الماليه العائليه و تكتل الملكيات *معدل تقلب السياسات	
	ما هو رايك عن تأثير (المؤسسات الحكوميه السعوديه) على (على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*يسرع او يبطئ عمل الجماعات المصلحيه *يوفر حمايه كبيره للمستثمرين والمساهمين *اصحاب الشركات مجبورين على اختيار هياكل ملكيات موزعه للشركاتهم *العوائل المتحكمه-هي مؤسسات- تنتج نموذج جديد من حوكمة الشركات	هل من الممكن التوسع في هاذا الشق؟
	ما هو رايك عن تأثير تكتل الجماعات المصلحيه لممارسة الضغط السياسي التشريعي (على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟	*اهتمام بالاستثمارات الاجنبيه المبادرات الخاصه- مع انتشار الاسهم *معوقات مستقبليه من العوائل المتحمه كجماعات مصلحيه	هل من الممكن اعطاء مثال عن العراقل التي قد تواجه السياسات او التشريعات المستقبليه من قبل العوائل المتحكمه؟

	<p>ماهو رايبك عن تأثير (التدخل النسبي) للحكومة السعودية في الاقتصاد (على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟</p>	<p>*اقتصاد مركزي (محصور)- يستخدم البنوك ليسهل التحكم *اقتصاد غير مركزي- يخلق قطاع خاص حر</p>	
	<p>ماهو رايبك عن تأثير غياب (العملية الدستورية) (على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟</p>	<p>*يخلق فرص للتدخل الحكومي *يضعف الضغط الاجتماعي لحقوق صغار المساهمين *يتسبب خلق هياكل تكاليف من الملكيات كنماذج للتحكم بالشركات المساهمه</p>	<p>هل من الممكن التوسع في هذا الشق؟</p>
	<p>ماهو رايبك عن تأثير طبيعة التشريع (سن القوانين) (على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟</p>	<p>*تمركز تشريعي-مسيق- قوانين جبريه قويه-القانون المدني *تمركز على دعم السوق-السوق يخلق الطلب للتشريع-القانون العام *تشريعات اصلاحيه (تعويضيه) لتأسيس حقوق صغار المساهمين</p>	<p>هل من الممكن ان تشرح كيفية تفاعل التشريعات القانونية والسياسيه مع بعضها البعض واثرا احدهما في الاخر؟</p>
الاقتصاد السياسي	<p>ماهو رايبك عن تأثير حجم (المنفعة الخاصه من التحكم بالشركات المساهمه) (على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟</p>	<p>*يحدد شكل الخيار في هيكل الملكية للشركات المساهمه *مؤسسات ضعيفه = استخلاص فائض عالي *الفائض عند (الاصدارات الاولى العامه للاسهم) -عالي جند *القانون مترخي = حجم المنفعة الخاصه عالي *الفصل ما بين حقوق الدخل المالي و حقوق التصويت = دلالة على مصادرة حقوق صغار المساهمين</p>	
	<p>ماهو رايبك عن تأثير امتلاك صوت سياسي مقنع في خلق هياكل ملكيات متكتله داخل الشركات السعودية المساهمه وتأثير (هاذة الهياكل المتكتله) (على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟</p>	<p>*تحكم مفرط من الحكومة او العوائل المتحكمه بالاقتصاد و ادارتها العائليه *الهياكل الهرميه للشركات *الراسماليه الحميه = العائليه *صعوبات مستقبلية لاصحاب المشاريع الراغبين بتمويل مشاريعهم عن طريق الاسهم (بشكل خارجي)</p>	<p>هل من الممكن اعطاء مثال عن تأثير الصوت السياسي؟</p>
	<p>ماهو رايبك عن تأثير التعزيز (التحصين) ما بين الحكومة السعودية و العوائل المتحكمه بالاقتصاد على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟</p>	<p>*الراسماليه الحميه: توحد الحكومات و العوائل المتحكمه *تأثير القانون يصبح ادنى</p>	<p>هل من الممكن اعطاء مثال عن ممارسات التعزيز؟</p>
اقتراح	<p>اي نوع من الية العمل المؤسساتيه الكابحه لجماع (المنفعة الخاصه من التحكم بالشركات المساهمه) تعتقد انها قادره على خلق اثر ايجابي على طبيعة تجاوب الشركات السعودية المساهمه مع قوانين حوكمة الشركات بما يختص بحقوق صغار المساهمين؟</p>	<p>*اجرة ضريبية التجاوب *القوانين الحاميه لصغار المساهمين *حجم حرية الصحافة وانتشارها *وسائل الاعلام الفاضحه للمراسلات السببته للشركات المساهمه وملاكها واداراتها *قوانين محاسبية افضل *وتطبيق وتفعيل افضل للقانون</p>	

10.8 APPENDIX B.8: Questionnaire's Coding & Hofstede's (2010) Assignments

1. As an investor, to what extent you believe the following statements concerning your Rights are autonomously important to ensure the success of your investments?

(Please indicate your opinion regarding each statement by ticking the appropriate box)

(SA = Strongly agree; A = Agree; N = Neutral; D = Disagree; SD = Strongly disagree)

<i>I.</i>	<i>Rights of Shareholders Statements</i>	<i>SA</i>	<i>A</i>	<i>N</i>	<i>D</i>	<i>SD</i>
		<i>5</i>	<i>4</i>	<i>3</i>	<i>2</i>	<i>1</i>
A.	<i>Your basic shareholder rights should include the right to :</i>					
	22. Obtain relevant and material information on a timely and regular basis LTO=H					
	23. Participate and vote in general shareholder meetings PD=L, IND=H					
	24. Call a shareholders' meeting PD=L, IND=H					
	25. Elect and remove members of the board PD=L, IND=H					
	26. Share in the profits of the corporation LTO=H					
B.	<i>You shall participate in and be sufficiently informed on decision concerning fundamental corporate changes such as:</i>					
	9. Amendments to the statutes or articles of incorporation PD=L, IND=H, UA=L					
	10. Authorization of additional shares PD=L, IND=H, UA=L					
	11. Assignment of Pre-Emptive Rights: given you the first opportunity to buy new issues of stock IND=H, UA=L, LTO=H					
	12. Extraordinary transactions resulting in the sale of the company LTO=H					
C.	<i>You shall participate effectively and vote in general shareholder meetings. Hence, you shall:</i>					
	27. Be Informed of Issues to be decided at the meeting PD=L, UA=L					
	28. Place items on the agenda of general meetings IND=H, PD=L					
	29. Propose resolutions, subject to reasonable limitations IND=H					

	PD=L					
	30. Challenge resolutions benefiting controlling shareholders IND=H PD=L					
D.	<i>You shall participate in key corporate governance decisions: Thus, you shall Approve:</i>					
	7. Remuneration policy for board members and key executives. IND=H, PD=L, UA=L					
	8. Compensation schemes for board members and employees IND=H, PD=L, UA=L					
	9. Self-dealing transaction affecting disinterested shareholders such as yourself IND=H, PD=L, UA=L					
E.	<i>Your votes should be given:</i>					
	4. Equal effect whether cast in person or in absentia or by Mail. IND=H, FEM=H					

2. Listed below are some Disclosure and Transparency factors that may contribute to your success as an investor in assessing your decisions of whether to hold onto you're shares or sell them. How important do you believe these factors are?

(Please select the appropriate answer by ticking the appropriate box)

(VI = Very important; I = Important; N = Neutral; NI = Not important; NVI = Not very important)

II.	<i>Disclosure and Transparency Statements</i>	VI	I	N	NI	NVI
A.	<i>Disclosure should include, but not be limited to, material information on:</i>	5	4	3	2	1
	1. The financial and operating results of a company. LTO=H, UA=L					
	2. Major share ownership and voting rights. PD=L, UA=L					
	3. Related party transactions: all material facts about such transaction or the following : (a) description of the assets; (b) nature and amount of consideration; and c) explanation for the price PD=L, UA=L					
	8. Foreseeable risk factors. LTO=H, UA=L					
	9. Capital structures enabling certain shareholders to obtain a degree of control disproportionate to their shares UA=L, FEM=H					

B.	<i>The exercise of ownership rights by institutional investors, should be facilitated and disclosed: therefore, <u>Institutional</u> investors should Disclose:</i>				
	4. Their overall corporate governance and voting policies FEM=H, PD=L, UA=L				
	5. Procedures they have in place for deciding on the use of their voting rights. UA=L, FEM=H				
	6. Material conflicts of interest affecting the exercise of key ownership rights UA=L , Fem=H				
C.	<i>Disclosure should:</i> 2. Provide an external and objective assurances to shareholders FEM=H, LTO=H, UA=L				

3. With reference to your investments, please evaluate the extent to which the following Equitable Treatment problems impact on your success as a shareholder?

(Please indicate your opinion regarding each statement by ticking the appropriate box)

(SA = Strongly agree; A = Agree; N = Neutral; D = Disagree; SD = Strongly disagree)

III.	<i>Equitable Treatment of Shareholders' Problems</i>	<i>SD</i>	<i>D</i>	<i>N</i>	<i>A</i>	<i>SA</i>
A.	<i>All shareholders of the same series of a class should <u>NOT</u> be treated equally:</i>	<i>5</i>	<i>4</i>	<i>3</i>	<i>2</i>	<i>1</i>
	6. Within any series of a class, all shares should not carry the same rights. FEM=H, PD=L					
	7. Info about rights attached to shares shouldn't be obtained before purchasing. IND=H, UA=L					
	8. Changes in voting rights shouldn't be subject to approval by classes of shares negatively affected IND=H, PD=L , FEM=H					
B.	<i>All minority shareholders should <u>NOT</u> be protected from:</i>					
	13. Actions by controlling shareholders acting directly or indirectly for the benefits of their substantially invested capital FEM=H, PD=L					

14. General meetings' (gm) procedures disallowing equitable treatment of all shareholders. FEM=H, PD=L, UA=L					
15. Insider trading benefiting majority shareholders. FEM=H, PD=L					
16. Board members not disclosing material interest in transactions they have stake in FEM=H, PD=L					
17. Company procedures (cp) disallowing effective means of redress by minorities FEM=H, UA=L					
18. Company procedures making it difficult and expensive for (cp) minorities to cast votes FEM=H, UA=L					

The Ideal Situation for the target values in accordance with the literature is:

H	H	L	L	H
Individualism	Femininity	Power Distance	Uncertainty Avoidance	Long term

Individualism Femininity Power Distance Uncertainty Avoidance Short term Orientation

10.9 APPENDIX B.9: Preliminary Questionnaire

A Questionnaire of the impact of Saudi Arabia Culture on Corporate Governance on Minority Shareholder's Rights

Introduction

Dear Minority Shareholder,

Recognizing that the future of the Saudi Stock Market will be largely based on investments of mass-minority shareholders' segment, we are very eager to learn about your own experiences. In particular, we seek information on what you consider to be key factors of the success of your investments. Your contribution in this survey is therefore very important to identify these factors. By completing this questionnaire, the data you provide will lead to a series of recommendations to ensure the success of minority shareholders' trading in the Saudi Stock Market.

Purpose of Questionnaire:

To Measure Saudi Minority Shareholder's value dimensions in Relation to OECD principles of Corporate Governance pertaining to Minority Shareholders' rights

Instruction

- Please complete this questionnaire accurately and objectively. In the absence of an option that accurately reflects your views, please choose the answer that seems relevant, and add any comment or explanation that you deem useful to illustrate your answer. Otherwise, **SKIP** to the next question
- Most questions can be answered simply by ticking a box.
- All of the answers you provide in this questionnaire **WILL BE KEPT CONFIDENTIAL**. All information given will be used for the purpose of this research only. The study is being carried out in accordance with the UK Market Research Society's guidelines.
- The questionnaire should take **ABOUT 15 MINUTES** to complete.
- The results of this research will be presented in the thesis to be submitted to the University of Gloucestershire, as required by the doctoral degree.
- If you want a copy of the results of the study, please fill out your name, address or e-mail in the last page of the questionnaire.
- Please return the completed questionnaire **BEFORE 4th of NOVEMBER 2014**.
- **Rapid Feedback Score** is provided at the end of the questionnaire; instruction of calculation's method is presented for each section to generate accumulative score on your success rate as an investor along with personalized, level-specific financial advice for you.

Post : Faisal Alfordy The Park, Cheltenham GL50 2RH, UK	Email : fdf3000@gmail.com
	Fax : (0044) 01242 714 111

Feel free to contact us if you would like any additional information.

SECTION 1: OECD Principles of Minority Shareholders' Rights

2. As an investor, to what extent you believe the following statements concerning your Rights are autonomously important to ensure the success of your investments?

(Please indicate your opinion regarding each statement by ticking the appropriate box)

(SA = Strongly agree; A = Agree; N = Neutral; D = Disagree; SD = Strongly disagree)

I.	<i>Rights of Shareholders Statements</i>	SA	A	N	D	SD
A.	<p>Your basic shareholder rights should include the right to</p> <p>31. Secure methods of ownership registration</p> <p>1. Convey or transfer shares</p> <p>2. Obtain relevant and material information on a timely and regular basis</p> <p>3. Participate and vote in general shareholder meetings</p> <p>4. Elect and remove members of the board</p> <p>5. Share in the profits of the corporation</p>					
B.	<p><i>You shall participate in and be sufficiently informed on decision concerning fundamental corporate changes such as</i></p> <p>13. Amendments to the statutes or articles of incorporation</p> <p>14. Authorization of additional shares</p> <p>15. Extraordinary transactions resulting in the sale of the company</p>					
C.	<p><i>You shall participate effectively and vote in general shareholder meetings and be informed of</i></p>					

	32. Rules, including voting procedures, that govern general shareholder meetings					
	33. Date, location and agenda of general meetings					
	34. Issues to be decided at the meeting					
	35. Ask questions to the board, relating to the annual external audit					
	36. Place items on the agenda of general meetings					
	37. Propose resolutions, subject to reasonable limitations					
D.	<i>You shall participate in key corporate governance decisions: making your views known on</i>					
	10. Nomination and election of board members					
	11. Remuneration policy for board members and key executives.					
	12. Approval of compensation schemes for board members and employees					
E.	<i>Your votes should be given:</i>					
	5. Equal effect whether cast in person or in absentia.					
F.	<i>You should be provided with disclosure regarding</i>					
	2. Capital structures enabling certain shareholders to obtain a degree of control disproportionate to their shares					

G.	<i>Markets for corporate control should be allowed to function in an efficient and transparent manner:</i>					
	1. Rules governing acquisitions should be clearly articulated and disclosed to you					
	2. Transactions should occur at transparent prices and under fair conditions					
	3. Anti-take-over devices shouldn't be used to shield management and board					
H.	<i>The exercise of ownership rights by institutional investors, should be facilitated and disclosed: therefore, Institutional investors should Disclose</i>					
	1. Their overall corporate governance and voting policies					
	2. Procedures that they have in place for deciding on the use of their voting rights.					
	3. Material conflicts of interest affecting the exercise of key ownership rights					
I.	<i>You , including institutional shareholders, should be allowed to consult</i>					
	1. Each other on issues concerning basic shareholders' rights					

2. Listed below are some Disclosure and Transparency factors that may contribute to your success as an investor in assessing your decisions of whether to hold onto you're shares or sell them . How important do you believe these factors are?

(Please select the appropriate answer by ticking the appropriate box)

(VI = Very important; I = Important; N = Neutral; NI = Not important; NVI = Not very important)

II.	<i>Disclosure and Transparency Statements</i>	VI	I	N	NI	NVI
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A.	<i>Disclosure should include, but not be limited to, material information on:</i>					
	1. The financial and operating results of a company.					
	2. Major share ownership and voting rights.					
	3. Related party transactions.					
	3. Foreseeable risk factors.					
	4. Provide an external and objective assurances to the board and shareholders					
	6. Represent fairly the financial position and performance in all material respects.					
C.	<i>External auditors should be accountable to all shareholders</i>					
	1. Owing a duty to companies to exercise due professional care in their conduct					

3. In your opinion, how would you rate the services of the Board Members regarding their Responsibilities towards you as an investor and other stakeholders?

(Please select the appropriate answer by ticking the appropriate box)

(Very high =VH ; High = H;Medium = M ; Low = L ; Very low = VL)

III	<i>Responsibilities of the Board: Services</i>	VH	H	M	L	VL
A.	Board members acting on a fully informed basis, in good faith, with due diligence					
B.	The board treating all shareholders fairly when decisions affect different groups					
C.	The board applying high ethical standards; with interests of stakeholders in mind					

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4. With reference to your investments, please evaluate the extent to which the following Equitable Treatment problems impact on your success as a shareholder?

(Please select the appropriate answer by ticking the appropriate box)

(VC = Very challenging; C = Challenging; N = Neutral; I = Insignificant; VI = Very insignificant)

<i>V.</i>	<i>Equitable Treatment of Shareholders' Problems</i>	<i>VC</i>	<i>C</i>	<i>N</i>	<i>I</i>	<i>VI</i>
A.	<i>All shareholders of the same series of a class should not be treated equally.</i>					
	5. Within any series of a class, all shares should not carry the same rights.					
	6. Info about rights attached to shares shouldn't be obtained before purchasing					
	7. Changes in voting rights shouldn't be subject to approval by classes of shares negatively affected.					
B.	<i>All minority shareholders should not be protected from:</i>					
	19. Actions by controlling shareholders acting directly or indirectly for the benefits of their substantially invested capital					
	20. General meetings' procedures disallowing equitable treatment of all shareholders.					
	21. Insider trading benefiting majority shareholders.					
	22. Board members not disclosing material interest in transactions they have stake in					
	23. Company procedures disallowing effective means of redress by minorities					

	24. Company procedures making it difficult and expensive for minorities to cast votes					
	25. Company procedures disallowing Votes casting by custodians on behalf of minorities.					
	26. Company procedures' impediments to cross border voting					

SECTION 2: DEMOGRAPHIC INFORMATION

Here are some questions to seek socio-demographic information of Minority Shareholders.

1. Your age:

18-24 25-45 >45

2. Your gender:

Male Female

3. Your educational level?

None High School University diploma

Bachelor degree Master degree PhD degree

Other (Please specify):

4. Have you had any previous work experience related to share trading?

Yes No if yes, Specify Occupation:

5. For how long have you been trading in the Stock Market?

1 years 1-3 years 4-10 years 1-20 years

6. What is the longest period you have held onto a certain class of shares?

1 month 2-3 months 4-6 Months 6-12 months 1 year 2-3 years >4 years

SUGGESTIONS & COMMENTS

Please type any suggestions or comments you want to add regarding the topics that have been addressed in this questionnaire or any other subjects related to the success of small and medium enterprises.

10.10 APPENDIX B.10: Assignments of Hofstede's (2010) CVD Dimensions to OECD Items

NOTE: *all the below dimensions are obtained from Hofstede's website; hence, such definitions are up to date.*

- A. **Power distance** can be defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. 'Institutions' are the basic elements of society like the family, school, and the community; 'organizations' are the places where people work.
- B. **Individualism** pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onwards are integrated into strong, cohesive in groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty.
- C. **Masculinity** indicates the extent to which the dominant values of a society are "masculine" (e.g., assertive and competitive). **Masculinity** pertains to societies in which social gender roles are clearly distinct (i.e., men are supposed to be assertive, tough, and focused on material success whereas women are supposed to be more modest, tender, and concerned with the quality of life).
- D. **Femininity** Pertains to societies in which social gender roles overlap i.e., both men and women are supposed to be modest, tender, and concerned with the quality of life.
- E. **Uncertainty avoidance** can be defined as the extent to which the members of a culture feel threatened by uncertain or unknown situations and try to avoid such situations. This feeling is, among other things, expressed through nervous stress and in a need for predictability: a need for written and unwritten rules.
- F. **Long Term Orientation** Long-Term Orientation (LTO) is defined as the fostering of virtues toward future rewards—in particular, perseverance and thrift. In contrast, short-term orientation stands for the fostering of virtues related to the past and present—in particular, respect for tradition, preservation of face, and fulfilling social obligations.

SPECIFIC CONSTRUCT	ASSIGNMENT OF HOFESTEDE DIMENSIONS
Information on a regular basis	Triggers <i>Long-Term Orientation</i> as shareholders see the, pragmatic, need for regular basis of financial reporting to assess their holding for future profits.
Vote in general meetings	Triggers <i>Power-Distance</i> . Hence, minority shareholders don't undermine themselves and view themselves as equals to major shareholders in decision concerning their corporations. In addition, voting in GM meetings triggers <i>Individualism</i> as shareholders look after themselves when voting.
Elect and remove board	Triggers <i>Power-Distance</i> as minority shareholders view themselves as equally important in electing and removing members of the board. In addition, it triggers <i>Individualism</i> as shareholders look after themselves in appointing eligible candidates and removing them when needed.
Share in the profits	Triggers <i>Long-Term Orientation</i> as shareholders highly view sharing in the future profits reported by financial statements.
Call a shareholders' meetings	Triggers <i>Power-Distance</i> as minority shareholders view themselves as equally important in calling a shareholders' meeting. In addition, it triggers <i>Individualism</i> as shareholders look after themselves in calling a shareholders' meeting to address certain concerns of theirs.
Amendments to the statutes	Triggers <i>Power-Distance</i> in shareholders as they see themselves equal and valuable to participate and decide on matters concerning amendments to the statutes of incorporation. In addition, it triggers <i>Individualism</i> in shareholders as they take matter into their own hands to look after themselves. Moreover, by doing so <i>Uncertainty-Avoidance</i> is triggered and such task won't be considered threatening as it's lawfully prescribed.
Authorization of additional shares	Triggers <i>Power-Distance</i> in shareholders as they see themselves equal and valuable to participate and decide on matters concerning authorization of additional shares. In addition, it triggers <i>Individualism</i> in shareholders as they take matter into their own hands to look after themselves. Moreover, by doing so <i>Uncertainty-Avoidance</i> is triggered and such task won't be considered threatening as it's lawfully prescribed.
Pre-Emptive rights	It triggers <i>Individualism</i> in shareholders as they look after their wealth and opportunity to increase it. Moreover, by doing so <i>Uncertainty-Avoidance</i> is triggered as shareholders demand the right to hold first opportunity to buy new issues of stock. Hence, they reduce the risk of un-wanted control by an existing major shareholder or a hostile outsider. In addition, it triggers <i>Long-Term Orientation</i> as shareholders look for better values to buy shares before bidding-inflation effect, a pragmatic approach towards their share investments, and allow them for better sale price in the future once the new shares are effectively accounted for as a companies' capital in the Stock Market in the long run.
Extraordinary transactions	Triggers <i>Long-Term Orientation</i> as extraordinary transactions affect future reporting of profits and they are cautionary in nature in regard to future profits. In addition, extraordinary transactions trigger the LTO of shareholders in terms of their adaptabilities to changing circumstances in corporations they have invested in.
Issues to be decided at the meeting	Triggers <i>Power-Distance</i> as shareholders are all equally valued to decide on matters at the GM meeting. In addition, it triggers <i>Uncertainty-Avoidance</i> as any potential threat is lessened by participation and prior preparations as lawfully prescribed.
Challenge resolution	Triggers <i>Individualism</i> as shareholders challenge resolutions in order to look after their own investments. Hence, <i>Power-Distance</i> is also triggered as all shareholders are considered equally important to challenge a resolution if they have to.
Approval for Remuneration policy for board members	Triggers <i>Power-Distance</i> as all shareholders view themselves as equally important in making their views known on remuneration policy. In addition, it triggers <i>Individualism</i> as shareholders look after themselves in approving such policy. Hence, <i>Uncertainty-Avoidance</i> is also triggered as this whole task is lawfully prescribed to allow shareholders to protect their investments from any potential financial threat.
Approval of compensation schemes	Triggers <i>Power-Distance</i> as all shareholders view themselves as equally important in approving any compensation scheme. In addition, it triggers <i>Individualism</i> as shareholders look after themselves in approving such scheme. Hence, <i>Uncertainty-Avoidance</i> is also triggered as this whole task is lawfully prescribed to allow shareholders to protect their investments from any potential financial threat.

Approval by Disinterested shareholders regarding self-dealing transaction	Triggers <i>Power-Distance</i> as disinterested shareholders view themselves as equally important in approving any self-dealing transaction affecting their wealth. In addition, it triggers <i>Individualism</i> as shareholders look after themselves in approving such transaction. Hence, <i>Uncertainty-Avoidance</i> is also triggered as this whole task is lawfully prescribed to allow disinterested shareholders to protect their investments from any consequences they might suffer from self-dealing transactions.
Equal effects given to all shareholders' votes	Triggers <i>Individualism</i> as shareholders vote to look after their own investments. Moreover, <i>Femininity</i> is also triggered as given equal effects to all votes' calls for caring for all shareholders especially the weak once as prescribed lawfully.
Financial and operating results	Triggers <i>Long-Term Orientation</i> as shareholders are on the lookout for the future rewards of financial and operating results quarterly. In addition, such disclosure on a regular basis triggers <i>Uncertainty-Avoidance</i> as a lawful measure capable of lessening and informing shareholders of any potential threat.
Major share ownership	Triggers <i>Power-Distance</i> as all shareholders are considered equally important regardless of the size of their investments. Therefore, all shareholders are lawfully aware of major holders and voting rights as disclosed by law .Hence, it also triggers <i>Uncertainty-Avoidance</i> as the law makes minority shareholders aware of any potential threat from major shareholders as it singles them out in disclosure.
Related party transactions	Triggers <i>Power-Distance</i> as all shareholders are considered equally important and no such special treatment of related party transaction should be over-looked for the benefits of elite shareholders. Hence, it has to be disclosed. In addition, such disclosure also triggers <i>Uncertainty-Avoidance</i> as it makes all shareholders aware of any potential threat might be caused by elite shareholders' related party transaction.
Foreseeable risk factors	Triggers <i>Long-Term Orientation</i> as such disclosure makes all shareholders aware of any potential financial loss regarding their future rewards in terms of dividends and exposes listed corporations' abilities to distribute dividends while adapting to changing circumstances. It also triggers <i>Uncertainty-Avoidance</i> as the law is prescribed to enforce corporations to disclose any potential foreseeable risk so that all shareholders are becoming aware of any potential risk to their investments. Hence, they all shall have the time to assess and decide on their holdings to lessen any threat.
<u>Disclosure Criteria</u> external and objective assurances	Triggers <i>Femininity</i> as getting external and objective assurances on shareholders' investments through disclosure is lawfully meant to care for all shareholders and is designed to ensure better quality of information for all stakeholders. It also triggers <i>Long-Term Orientation</i> as it is aimed at providing shareholders with objectively justified future rewards in the form of profits. Moreover, <i>Uncertainty-Avoidance</i> is lawfully triggered trough disclosure as well and any potential threat is becoming described and presented in the financial statements for shareholders to assess.
<u>Capital structures arrangements empowering certain shareholders</u>	Triggers <i>Uncertainty-Avoidance</i> as the law is prescribed to enforce corporations to disclose any pre-arrangements enabling certain class of shareholders with a degree of control disproportionate to their shares. Such pre-arrangement can be considered a threat for other shareholders if not disclosed. Hence, the law is caring in nature for the weak; therefore, it triggers <i>Femininity</i> as well.
<u>Institutional investors corporate governance and voting policies</u>	Triggers <i>Femininity</i> as the law is prescribed to protect weak shareholders from institutional investors' use of their CG and voting polices. Moreover, it triggers <i>Power-Distance</i> as all investors are considered equally important. Moreover, the law requires institutional investors to disclose their CG and voting policies. Hence, <i>Uncertainty-Avoidance</i> is triggered as shareholders are becoming aware of any potential threat from institutional investors' use of their CG and voting polices.
<u>Institutional investors Procedures on the use of their voting rights.</u>	Triggers <i>Femininity</i> as the law is prescribed to protect weak shareholders from institutional investors' voting rights. Hence, <i>Uncertainty-Avoidance</i> is triggered as shareholders are becoming aware of any potential threat from institutional investors' use of their voting rights.
	Triggers <i>Uncertainty-Avoidance</i> as the law is prescribed to enforce institutional investors to disclose any

<p><i>Institutional investors</i> Material conflicts of interest</p>	<p>material conflict of interests that might threaten the exercise of key ownership rights. Hence, the law is in nature on the side of the weak shareholders, triggers <i>Femininity</i>, and is designed to protect them from any potential threat from big institutional investors. In addition, it triggers <i>Power-Distance</i> as all investors viewed equal in the exercise of their ownership rights regardless of the size of their investments which does not constitute any special treatment.</p>
<p><i>shares not carrying the same rights</i></p>	<p>Triggers <i>Femininity</i> as it sympathizes with the weak in the distribution of power attached to shareholder's rights, and triggers <i>Power-Distance</i> as every shareholder is equally valuable.</p>
<p><i>Info about rights attached</i></p>	<p>Triggers <i>Individualism</i> as it requires shareholders to look after themselves in collecting sufficient information on their potential investments before purchasing. It also triggers <i>Uncertainty-Avoidance</i> as a measure of reducing risk by shareholders getting to know what they are entitled to as to avoid any potential risk.</p>
<p><i>Changes in voting rights</i></p>	<p>Triggers <i>Individualism</i> as shareholders tend to look after themselves in approving any potential changes made to voting rights. It also triggers <i>Power-Distance</i> as such approval requires a mindset of equal importance of all classes of shareholders. Moreover, it triggers <i>Femininity</i> as such approval is a lawful measure for carrying for the weak and putting a defensive measure against any sort of expropriation.</p>
<p><i>Actions by controlling shareholders</i></p>	<p>Triggers <i>Femininity</i> as the law sympathizes with the weak to be protected from any action by controlling shareholders acting directly or indirectly for the benefits of their substantially invested capital. Also, it triggers <i>Power-Distance</i> in looking at all shareholders as equally important.</p>
<p><i>(gm) procedures disallowing equitable treatment</i></p>	<p>Triggers <i>Femininity</i> as the law is caring for the weak and is put in place to protect minority shareholders from (CP) disallowing equitable treatment of all shareholders. Also, it triggers <i>Uncertainty-Avoidance</i> as the law is meant to lessen any potential threat. In addition, it triggers <i>Power Distance</i> as the law previews all shareholders as equally significant; therefore, the all should be treated equally.</p>
<p><i>Insider trading</i></p>	<p>Triggers <i>Femininity</i> as the law is caring for the weak and is put in place to protect minority shareholders from majority holders. Also, it triggers <i>Power-Distance</i> as it views all shareholders equal and prohibits any preferential treatment such as insider trading.</p>
<p><i>Board members not disclosing material interest</i></p>	<p>Triggers <i>Femininity</i> as the law is caring for the weak and is put in place to protect minority shareholders from board members not disclosing material interest in transactions they have stake in. Also, it triggers <i>Power-Distance</i> as it views all stakeholders equal and prohibits the board from misusing their power.</p>
<p><i>(CP) disallowing effective means of redress by minorities</i></p>	<p>Triggers <i>Femininity</i> as the law is caring for the weak and is put in place to protect minority shareholders from (CP) disallowing effective means of redress by them. Also, it triggers <i>Uncertainty-Avoidance</i> as the law is meant to lessen any potential threat and readdress it appropriately for the benefit of minorities.</p>
<p><i>(CP) making it difficult and expensive for minorities to cast votes</i></p>	<p>Triggers <i>Femininity</i> as the law is caring for the weak and is put in place to protect minority shareholders from (CP) making it difficult and expensive for minorities to cast votes. Also, it triggers <i>Uncertainty-Avoidance</i> as the law is meant to lessen any potential voting threat might be caused by unjust company procedures.</p>

10.11 APPENDIX B.11: A Checklist for a Case Study

Note: Checklist questions are all adopted from *the Good Research Guide for small-scale social research projects* by Denscombe (2003).

1. Is the research based on a naturally occurring situation? Yes

This case study is a natural occurring phenomenon concerning the Saudi Culture. It is an Assessment of the Impact of Saudi Arabia Culture on Corporate Governance on Minority Shareholders' rights. Hence, this natural occurring situation exists prior to the research project, and will continue to exist once the research has finished. Max Weber (1905) puts the emphasis on the persistence of traditional values despite economic and political changes. In addition, Max Weber's view confirms with the notion that values are relatively independent of economic conditions (DiMaggio, 1994).

2. Has the case been identified as a particular instance of a type of social phenomena/ (e.g. kind of event, type of organization, or people)? Yes

As the case is an Assessment of the Impact of Saudi Arabia Culture on Corporate Governance on Minority Shareholders' Rights, the focus is of a macro nature on one instance of a particular phenomena of CG with a view to providing an in-depth account of events, relationships, and processes occurring in that particular instance.

3. Have the significant features of the case been described and have they been compared with those to be found elsewhere amongst the type of thing being studied? Yes

The study is based on the Saudi culture impact on Corporate Governance on Minority Shareholders' Rights. In addition, the case uses Hofstede (2010) dimensions to assess such impact based on the five well-know Cultural Value dimensions (CVD) which can be used to assess other cultures either similar or different on attributes. In addition, it employees the OECD principles of CG which is an obligatory measure of governance imposed by the profession worldwide. Moreover, the study takes into account the legal and political factors' effect on CG. These factors are well established in the quantitative literature and their implications can be found in any country. Hence, the applicability of these factors can be seen in developing and emerging economies such as the Saudi. Therefore, this case can be compared with others of its type as it was initially researched to develop a comprehensive framework which can be adopted by potential research cases taking place in developing and emerging economies resembling a similar culture to Saudi Arabia. Therefore,

- The physical location of the geographical area is applicable to other potential cases taken place in one of the Middle East or African neighbouring countries as long as their economies can be categorized as developing or emerging.

- The historical location of developments and changes regarding the legal and political factors is also applicable to other potential cases to be taken in and around the same region as detailed above.
- The social location of social class, religion, and culture is also applicable to other potential cases in the same or neighbouring regions as detailed above.
- The institutional location of listed corporations, official CG policies and producers regarding minority rights is also applicable to other potential cases in the same or neighbouring regions as detailed above.

4. Have the criteria for selection of the case been described or justified? Yes

Selection on the basis of *suitability*:

A- Typical Instance; the logic is that this particular case of the Impact of culture on CG on minority Shareholders' rights is similar in crucial respects with others that might have been chosen. However, the difference between this case and other studies is that other studies have been done in a comparative international context. However, this case is going to be carried in the Saudi context to provide more in-depth information. Hence, potential findings from this case study are more likely to be applicable countries of a similar culture. Consequentially, potential findings can be partially generalized to the whole class of things.

B-Test Site for theory: the logic of selection of a particular case can be based on the relevance of the case for a previous theory as Yen (1994) stresses. Hence, this case study can be used for the purpose of testing the Institutional theory (New Institutional Sociology) as well as theory building. The rationale for choosing a specific case, then, can be that it contains crucial elements that are especially significant, and that the researcher should be able to predict certain outcomes if the theory holds true.

5. Have the boundaries to the case been described and their implications considered? Yes

The researcher has built a comprehensive model stemming from the relevant literature on culture and CG pertaining to minority shareholders rights. Hence, all implications have been considered from the major factors such as cultural, legal, political, and their interplay. Therefore, it is clear to the researcher what is (incorporated into the investigation and what is excluded from the focus of the study as variables were only selected from the relevant literature).

6. Is the case a fairly self-contained entity? Yes

As mentioned above, and due to the proposed model, this case study can be described as not only a fairly self contained entity but also has fairly distinct boundaries. Therefore, a clear vision of the boundaries to the case has been developed to provide an explicit account of what they are: cultural, legal, and political.

7. Has careful consideration been given to the issue of generalization stemming from research?

Yes

Although each case is in some respects unique, it is also a single example of a broader class of things. As the study is aimed at unveiling the effect of the Saudi culture on CG regarding minority rights, it can be treated as an instance of the impact of other cultures on CG regarding minority rights. In addition, the extent to which findings from a case study can be generalized to other examples in the class depends on how far the case study example is similar to other of its type: (see answer to Q3 for more detailed description.)

8. Does the research make suitable use of multiple methods and multiple sources of data? Yes.

As any case study is a matter of a research strategy not a research method, this intended research will use questionnaires and interviews as a strategy to provide a comprehensive *Assessment of the Impact of Saudi Arabia Culture on Corporate Governance on Minority Shareholders' Rights* while investigating the legal and political factors contributing to the current status of compliance by listed Saudi Corporations. Hence, the research intends to use whatever method deemed appropriate to investigate the relationships and processes that are of interest to this assessment of the impact of the Saudi Culture on CG regarding minority rights.

9. Does the research give due attention to relationships and process and provide a holistic perspective? Yes

Attention is given to the processes which led to the outcomes to preserve the value of this case study. As a result, a comprehensive model of factors, pertaining to the intended assessment of this case study stemming from the relevant literature review, has been built. Therefore, the case offers the opportunity to explain why certain outcomes might happen. Hence, this case study is of a macro focus and holistic in nature. It is an in-depth assessment of the Impact of the Saudi Culture on Corporate Governance regarding Minority Shareholders' rights. Moreover, it is aimed at assessing the process which led to certain outcomes by illuminating the general by looking at the particular.

In sum, this is a single country, explanatory and exploratory, case study that fulfills the interpretive paradigm's criteria as it has been motivated by the New Institutional Sociology theory which is interpretive in nature as detailed in the early parts of chapter four.

11. APPENDIX C: QUANTITATIVE RESULTS

11.1 APPENDIX C.1: Cronbach's Alpha if Item Deleted: Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.861	.867	33

Cronbach's Alpha if Item Deleted

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Obtain relevant and material information on a timely and regular basis LTO=H	128.24	205.281	.434	.821	.856
Participate and vote in general shareholder meetings PD=L IND=H	128.32	212.672	.153	.851	.862
Call a shareholders' meeting PD=L IND=H	128.65	200.973	.566	.883	.853
Elect and remove members of the board PD=L IND=H	128.60	209.050	.245	.852	.860
Share in the profits of the corporation LTO=H	128.14	207.995	.384	.836	.858
Amendments to the statutes or articles of incorporation PD=L, IND=H, UA=L	129.17	196.759	.603	.797	.851
Authorization of additional shares PD=L IND=H UA=L	128.57	209.765	.305	.674	.859

Assignment of Pre-Emptive rights: given you the first opportunity to buy new issues of stock IND=H UA=L LTO=H	128.83	201.856	.376	.790	.858
Extraordinary transactions resulting in the sale of the company LTO=H	128.87	201.726	.346	.805	.859
Be informed of Issues to be decided at the meeting PD=L UA=L	128.81	208.479	.310	.810	.859
Challenge resolutions benefiting controlling shareholders IND=H PD=L	128.84	203.458	.409	.793	.857
Remuneration policy for board members and key executives. IND=H PD=L UA=L	128.97	206.805	.266	.781	.860
Compensation schemes for board members and employees IND=H PD=L UA=L	128.87	208.403	.270	.632	.860
Self dealing transactions affecting disinterested shareholders IND=H PD=L UA=L	128.71	202.885	.417	.829	.856
Equal effect given to your vote whether cast in person or in absentia or by email. IND=H FEM=H	128.83	197.792	.548	.707	.853
The financial and operating results of a company. LTO=H UA=L	128.16	210.620	.245	.770	.860
Major share ownership and voting rights. PD=L UA=L	128.46	208.188	.434	.789	.857

Related party transactions. PD=L UA=L	128.73	196.878	.573	.864	.852
Foreseeable risk factors. LTO=H UA=L	128.25	209.967	.339	.561	.859
Capital structures enabling certain shareholders to obtain a degree of control disproportionate to their shares UA=L FEM=H	128.73	199.200	.629	.844	.852
Their overall corporate governance and voting policies FEM=H PD=L UA=L	128.44	212.057	.144	.764	.863
Procedures that they have in place for deciding on the use of their voting rights. FEM=H UA=L	128.54	204.156	.487	.823	.855
Material conflicts of interest affecting the exercise of key ownership rights UA=L PD=L FEM=H	128.46	205.962	.513	.833	.856
Provide an external and objective assurances to the board and shareholders FEM=H LTO=H UA=L	128.08	213.107	.196	.850	.861
Within any series of a class, all shares should not carry the same rights. FEM=H PD=L	128.86	208.221	.197	.761	.863
Info about rights attached to shares shouldn't be obtained before purchasing IND=H UA=L	129.35	209.844	.124	.675	.866

Changes in voting rights shouldn't be subject to approval by classes of shares negatively affected. IND=H PD=L FEM=H	128.60	206.566	.329	.807	.859
Actions by controlling shareholders acting directly or indirectly for the benefits of their substantially invested capital FEM=H PD=L	128.43	204.668	.426	.620	.856
General meetings' (gm) procedures disallowing equitable treatment of all shareholders. FEM=H PD=L UA=L	128.94	201.996	.391	.881	.857
Insider trading benefiting majority shareholders. FEM=H PD=L	128.95	196.433	.513	.825	.853
Board members not disclosing material interest in transactions they have stake in FEM=H PD=L	128.81	205.221	.281	.906	.860
Company procedures (cp) disallowing effective means of redress by minorities FEM=H UA=L	129.10	193.442	.560	.894	.852
Company procedures making it difficult and expensive for (cp) minorities to cast votes FEM=H UA=L	129.03	200.967	.415	.864	.856

11.2 APPENDIX C.2: Principle Component Analysis: Validity Test

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	1	7.112	21.552	21.552	7.112	21.552	21.552	3.681	11.153
2	3.591	10.882	32.434	3.591	10.882	32.434	2.893	8.768	19.921
3	2.452	7.430	39.864	2.452	7.430	39.864	2.598	7.873	27.794
4	2.132	6.460	46.325	2.132	6.460	46.325	2.275	6.893	34.687
5	2.033	6.162	52.487	2.033	6.162	52.487	2.270	6.880	41.567
6	1.898	5.753	58.240	1.898	5.753	58.240	2.253	6.827	48.393
7	1.731	5.247	63.487	1.731	5.247	63.487	2.183	6.616	55.009
8	1.492	4.522	68.008	1.492	4.522	68.008	2.176	6.594	61.603
9	1.450	4.395	72.403	1.450	4.395	72.403	2.166	6.564	68.167
10	1.183	3.585	75.988	1.183	3.585	75.988	2.019	6.119	74.287
11	1.017	3.081	79.069	1.017	3.081	79.069	1.578	4.783	79.069
12	.872	2.643	81.712						
13	.774	2.344	84.057						
14	.700	2.122	86.178						
15	.626	1.897	88.075						
16	.567	1.717	89.793						
17	.508	1.541	91.333						
18	.414	1.256	92.589						
19	.357	1.082	93.672						
20	.336	1.018	94.690						
21	.284	.859	95.549						
22	.260	.787	96.336						

Material conflicts of interest affecting the exercise of key ownership rights UA=L PD=L FEM=H	.895									
Procedures that they have in place for deciding on the use of their voting rights. FEM=H UA=L	.587									-.420
Related party transactions. PD=L UA=L	.470					.452				
Equal effect given to your vote whether cast in person or in absentia or by email. IND=H FEM=H	.466							-.454		
Company procedures making it difficult and expensive for (cp) minorities to cast votes FEM=H UA=L		.955								
Board members not disclosing material interest in transactions they have stake in FEM=H PD=L		.658								

Company procedures (cp) disallowing effective means of redress by minorities FEM=H UA=L	.624	-.454						
Insider trading benefiting majority shareholders. FEM=H PD=L	.554							
General meetings' (gm) procedures disallowing equitable treatment of all shareholders. FEM=H PD=L UA=L	.469					.403		
Participate and vote in general shareholder meetings PD=L IND=H		.899						
Call a shareholders' meeting PD=L IND=H		.606						
Obtain relevant and material information on a timely and regular basis LTO=H		.469			.403			
Elect and remove members of the board PD=L IND=H			.792					

The factorial analysis has via the Pattern Matrix produced a new order of the above constructs and merged the highly correlated items loading with each other on 11 factors with each other. The eleven factors suggested are:

Factor	Broad Theme	Sub-themes	Questions
1	Rights of shareholders Disclosure and transparency	<i>Shareholders voting power</i> <i>Exercise of ownership by institutional investors</i> <i>Disclosure regarding material information</i>	Q1:E1 Q2:B3, B2,A3
2	Equitable treatment of shareholders	<i>shareholders protection</i>	Q3:B6, B4, B5, B3, B2
3	Rights of shareholders	<i>Basic shareholder rights</i>	Q1:A2,A3,A1
4	Rights of Shareholders Equitable Treatment	<i>Basic shareholder's rights</i> <i>Participation in key CG decisions</i> <i>shareholders of the same series of a class</i>	Q1:A4, D3 Q3:A3
5	Disclosure and transparency	<i>Exercise of ownership by institutional investors</i> <i>Criteria of Disclosure</i>	Q2:B1, C1
6	Disclosure and transparency Rights of shareholders	<i>Disclosure on material information</i> <i>Participation and voting in GM</i>	Q2:A4 Q1:C1
7	Rights of shareholders	<i>Participation on fundamental corporate changes</i>	Q1: B2, B4, B3
8	Rights of shareholders	<i>Participation in key corporate governance decisions</i>	Q1: D1, D2
9	Equitable treatment Disclosure and transparency	<i>shareholders of the same series of a class</i> <i>Disclosure on material information</i>	Q3: A2, A1 Q2: A2
10	Equitable treatment Rights of shareholders Disclosure and transparency	<i>shareholders protection</i> <i>Participation and voting in GM</i> <i>Disclosure on material information</i>	Q3: B1 Q1: C4 Q2: A5
11	Disclosure and transparency Rights of shareholders	<i>Disclosure on material information</i> <i>Participation on fundamental corporate changes</i> <i>Basic shareholder rights</i>	Q2: A1 Q1: B1, A5

11.3 APPENDIX C.3: Descriptive Statistics: Demographics & shareholders Type

1- An overall Demographic characteristics' analysis on the sample size

Characteristics of respondents	Frequency	%	Cum %
Gender			
Male	60	72.3	74.1
Female	21	25.3	100
Age			
25-45	61	73.5	75.3
> 45	15	18.1	93.8
18-24	5	6.0	100
Education			
High school	5	6.0	6.3
Diploma	19	22.9	30.0
Doctorate	2	2.4	32.5
Master degree	14	16.9	50.0
Bachelor degree	40	48.2	100.0
Shareholder's Type			
Majority	16	19.3	19.3
Sophisticated	17	20.5	39.8
Minority	35	42.2	81.9
Non-Shareholders	15	18.1	100
Have you had any work experience related to share trading			
Yes	29	34.9	35.8
No	52	62.7	100
Have you been trading in the stock market?			
Yes	40	48.2	50
No	40	48.2	100
For how long have you been trading in the stock market?			
11-20 years	2	2.4	3.0
4-10 years	14	16.9	24.2
1-3 years	28	33.7	66.7
< 1 year	22	26.5	100
What is the longest period you have held onto a certain class of shares?			
➤ 4 years	6	7.2	9.0
2-3 years	10	12.0	23.9
1 year	10	12.0	38.8

6-12 months	5	6.0	46.3
4- 6 months	12	14.5	64.2
2-3 months	9	10.8	77.6
➤ 1 month	15	18.1	100
From this questionnaire, how much information have you been aware of regarding your rights as a shareholder?			
90 – 100 %	4	4.8	5.2
70- 80 %	13	15.7	22.1
40- 60 %	19	22.9	46.8
20-30 %	15	18.1	66.2
< 10 %	26	31.3	100
Will you require the blessing of a religious scholar to enforce these rights?			
Yes	61	73.5	77.2
No	18	21.7	100

All observations are derived from the table above are out of 83 participants in total

❖ Gender

72.3 % of respondents are males, and the other 25.3 % are females. Female shareholders are under-represented at 25.3 % in the Saudi Stock Market, which reflects the social structure of the Saudi Society as females are less involved in commercial dealings compared to males.

❖ Age

73.5 % of respondents are between the ages of 25-45, 18.1 % are older than 45, and 6 % are between the ages of 18 - 24. These results reflect the age structure of the Saudi population that is characterized by the predominance of youth.

❖ Educational Level

48.2 % of respondents hold Bachelor degrees, whereas 22.9 % of respondents hold University Diplomas. In addition, 16.9 % of respondents hold master degrees and 2.4 % of respondents hold doctorate degrees: leaving only 6 % of respondents with high school degrees. Hence, more than half of respondents (67.5 %) have higher qualifications (Doctorate, Master, and Bachelor degrees) while a substantial number of 16.9 % of respondents have University Diplomas. Only, 6.3 % of respondents have high school degrees. Hence, the data collected, on average, represent a high level of education among the sample size.

❖ Shareholder's Type

42.2 % of respondents are minority shareholder whereas only 19.3 % are Majority shareholders. Hence, the percentage of minority shareholders is 2 times bigger than majority's shareholders. On the other hand, sophisticated shareholders composed 20.5 % of respondents and the other 18.1 % are non-shareholders.

❖ Previous Work Experience Related to Share Trading

Only 34.9 % of respondents have relevant work experience to share trading whereas 62.7 % of respondents have no work experience related to share trading. Hence, such observation is indicative of Saudi shareholders' investment behavior as the majority of shareholders don't perceive practical experiences as necessary for share trading.

❖ Currently Trading in the Stock Market

50 % of respondents are active traders, and the other 50 % of respondents are passive traders.

❖ The Length of Time Trading in the Stock Market

33.7 % of respondents have been trading for 1-3 years and 26.5 % of respondents have been trading for less than a year. Only 16.9 % of respondents have been trading for 4-10 years and the other 2.4 % of respondents have been trading for more than 11 years. Hence, based on the sample size, these results provide an indication that Saudi shareholders are in it for the short run. 60 % of respondents last for less than 3 years in the stock market and only 20 % of respondents are in it for the long term. Perhaps, this is due to the lost confidence in the long term investments in listed corporations in the Saudi market. Thus, the qualitative analysis might provide an insight regarding this observation when assessing the legal and political framework and how such strong CG regime can provide shareholders with the needed confidence to hold onto their class of shares.

❖ Length of Time Holding onto a Certain Class of Shares

49.4 % of respondents have held onto a certain class of shares for less than a year whereas only 31 % of respondents held onto a certain class of shares for more than a year. In addition, 18.1 % of respondents held onto a class of shares for less than a month. These descriptive findings confirm the previous observations made about Saudi shareholders' level of confidence in listed Saudi corporations. It seems as if the level of confidence is relatively low as the majority of shareholders tend not to hold onto a cetin class of shares for more than a

year. Hence, as mentioned previously, further assessment of the legal and political framework in the qualitative phase might yield further explanations.

❖ *Awareness Regarding Shareholder's Rights*

Regarding shareholders' level of awareness in relation to their rights as prescribed in the OECD principles of CG, 31% of respondents are aware of less than 10 % of their rights. Moreover, 22.9 % of respondents is aware of 40 to 60 % of their rights, and 18 % of respondents are aware of 20 to 30 % of their rights. Hence, on average, half of the respondents, 53.3 %, are aware of less than 30 % of their rights. On the other hand, 4.8 % of respondents are aware of 90 to 100 % of their rights whereas 15.7 % are aware of 70 to 80 % of their rights. Based on these results, the question that comes to mind is: who is responsible of this low level of awareness: is it the corporations or the Capital Market Authority or the shareholders? Such answer might be yield by the qualitative analysis when assessing the legal and political factors influencing the level of compliance of listed Saudi Corporations' with the OECD principles with respect to the protection of minority shareholder rights.

11.3.1.1.1.1 *Requiring a Blessing of a Religious Scholar*

Shockingly, 73.5 % of respondents required a religious permit from religious scholars to call for these rights whereas only 21 % of respondents don't require such blessings. These results are of a great significance as they shed lights on the effect of religion on the level of compliance with CG principles pertaining to Minority Shareholder rights.

Nevertheless, it will be premature to paint a picture out of these descriptive statistics on demographics. Hence, a further analysis of descriptive statistics is required on the type of shareholders to depict a clearer picture on all previous insights.

3) ***A Shareholder Type Demographic Characteristics Analysis:*** (See APPENDIX C.3 for Tables):

❖ *Age:*

- Out of 16 *Majority Shareholders*, 14 were in between the ages of 25-45. Hence, 87 % are middle age and the other 12.5% are older than 45
- Out of 17 *Sophisticated Shareholders*, 12 were in between the ages of 25-45, 70 % , the other 29.4 % are older than 45.
- Out of 35 *Minority Shareholders*, 26 are in between the ages of 25-45, 74 %. The other 4 and 5 % of minorities are older than 45 and between the ages of 18-24 respectively.

- Out of 13 *Non-Shareholders*, 9 are in between the ages of 25-45, 60%, and the other 26.7 percent are older than 45.

Hence, it can be said that the age structure of the sample size is characterized by the predominance of youth. There is not a significant difference in the percentages of age regarding the shareholders' type based on the descriptive statistics.

❖ Gender:

- Out of 16 *Majority Shareholder*, All 16 were males.
- Out of 17 *Sophisticated Shareholders*, 82.4 % were males and the other 17.6 % are females.
- Out of the 35 *Minority Shareholders*, 62.9 percent were males, and the other 37.1 percent are females.

The overall statistics show the dominance of males in the Saudi Stock market which is indicative, via the sample size of this research, of the masculine social structure of the Saudi Society. However, females are more represented under the category of Minority shareholders. This is perhaps due to the promise the stock market present in terms of wealth maximization to the Saudi society at large.

❖ Educational level

- Out of 16 *Majority Shareholders*, 50 % were bachelor degrees' holders, 37.5 % master degrees' holders, and 1.5 % are diploma holders. On average, the holders of high qualifications were 87.5 % of *Majorities*.
- Out of 16 *Sophisticated Shareholders*, 47.1 % were bachelor degrees' holders, 35.5 % were diploma holders and the other 11 % are evenly split between PhD and Master Degrees' holders. On average, 69.1 % of *sophisticated shareholders* hold high qualifications.
- Out of 35 *Minority Shareholders*, 51 % were bachelor degrees' holders, 20 % were master degrees' holders, and the other 20% were PhD holders. Only 8.6 % were diploma holders. On average, 91 % of minorities hold high qualifications.

In terms of high Qualifications, *Minority* shareholders lead the crowd; however, not by far from *Majority* shareholders. However, both Majority and Minority shareholders are, on

average, 18% higher in qualifications' levels than *sophisticated* shareholders. Perhaps, a high level of education is not required by brokers companies for the recruitment of their personnel.

❖ Previous Work Experience Related to Share Trading:

- *Majority*, 75% had previous work experience, and the other 25 did not.
- *Sophisticated*, 70.6 % had no previous work experience, and 29.4 did.
- *Minority*, 65.7 % had no previous work experience, and 34.3 did

Majority Shareholders seem to possess the necessary characteristics of practical knowledge and experience to succeed in the Stock market compared to the other segments of shareholders.

❖ Currently Trading in the Stock Market

- *Majority*, 68.8 % are currently active in the stock market, and 31.3 are passive.
- *Sophisticated*, 58% are currently active in the market, and the other 41.2 are passive
- *Minority*, 54.3 are active, and 45.7 are passive.

Majority shareholders are more active than the other segments. Perhaps, this is due to their level of knowledge and various accesses to information provided to them by the legal and political environments. Hence, such observation will be further assessed under the qualitative analysis phase

❖ The Length of Trading in the Stock Market

- *Majority*, 50 % have been trading for 1 to 3 years, 12.5 % were trading for 4 to 10 years, 12.5 % were trading for 11 to 20 years. Only, 25 % of majority has been trading for less than a year.
- *Sophisticated*, 50 % have been trading for 1 to 3 years, 25% were trading for 4 to 10 years, and another 25% have been trading for less than a year.
- *Minority*, 41.2 % have been trading for less than a year, 35.3 % were trading for 1 to 3 years, and the other 23.5 % have been trading for 4 to 10 years.

Overall, *Majority shareholders* lead the line in terms of the length of time trading in the Stock market. Perhaps this is due to commitments to their investments and their access to information. However, it is noticeable that trading over the period of 1 to 3 years is two times higher than any other period for both segments: *Majority* and *Sophisticated*.

However, after the 3 year period the number of *Majority shareholders* shrinks by 37.5% over the period of 4-10 years and then stays constant at 12.5 % over the period of 11- 20 years. For *Sophisticated Shareholders*, their number shrinks by 25% over the period of 4 -10 years. Then, they vanish from the Market. On the other hand, the majority of *Minority Shareholders* tend to trade for less than a year and their number shrinks by 6 % over the 1 -3 years period of trading and shrinks for a further 11.8 % over the period of 4-10 years.

Overall, it is clear that there is a percentage of shareholders' turn over in the Saudi Stock Market and this percentage can be clearly seen after the 3rd year period. The highest percentage of turnover is scored by *Majority Shareholders*. Perhaps, this is due to their Knowledge, experience, and access to information and being able to avoid potential losses. Nevertheless, further assessment of the legal and political factors , via the qualitative analysis phase, influencing the level of compliance of listed Saudi Corporations' with the OECD principles of CG might unveil whether or not *Majority Shareholders* possess privileged advantages.

❖ *Length of Time Holding onto a Certain Class of Shares*

- *Majority shareholders on average*, 62.6% of them held onto their shares for less than a year: 31% held onto their shares for less than a month. 31.3 % held onto their shares for a year and only, 6.3 % held onto their shares for 2-3 years.
- *Sophisticated shareholders, on average*, 64.7% of them held onto their shares for less than a year: 23% held onto their shares for 2-3 months, and 17.6 % held onto their shares for 4-6 months. In addition, 11.8 % held onto their shares for a year, 11.8 % held onto their shares for 2-3 years, and 11.8 % held onto their shares for more than 4 years.
- *Minority shareholders, on average*, 58.8 5% of them held onto their shares for less than a year: 23.5 % hold for less than a month, 20.6 % held for 4-6 months. 8.8 % held onto their shares for a year, 20.6 % held onto their shares for 2-3 years, and 11.8 % held onto their shares for more than 4 years.

Overall, based on this research's sample size, for all segments of shareholders, 60 % on average, held onto their shares for less than year which is indicative of their low level of confidence in Saudi listed corporations. Moreover, *Majority* shareholders led the line in terms of holding onto their shares for a year: 31.35 % but this percentage hugely deteriorates to 6 %

over the 2-3 years' period. On the other hand, *sophisticated* shareholders tend to hold onto their shares constantly at 11.8 % over periods exceeding one year. For *Minority* shareholders, they seem to hold the highest percentage of 20.6 of holding onto share for 2-3 years.

These anomalies can be best explained by the quality of information provided to all segments, which is a variable already selected from the literature review phase to be further investigated under the qualitative phase of this study. Hence, such undertaking will account for the effect of insider trading; thus, it might explain such anomaly in terms of whether or not Majority shareholders possess a comparative edge when it comes to accessing information capable of cutting potential losses.

❖ *Awareness Regarding Shareholder's Rights*

- *Majority*, 75 % of them are aware of 70-80 % of their rights and the other 25 % are aware of 90-100 % of their rights.
- *Sophisticated*, 100 % of them are aware of 40-60 % of their rights.
- *Minority*, 63% are aware of less than 10% of their rights, and the other 36.4 are aware of 20-30 % of their rights.

Perhaps, based on the results of this sample size, the level of awareness is dependent on the close approximation between such segment and Saudi listed corporations' boards. Hence, such further assessment of this factor is taken into account for the qualitative analysis phase as it was signified by the relevant literature review phase.

❖ *Requiring a Blessing of a Religious Scholar*

- *Majority*: 87.5 % of respondents require the blessings whereas 12.5 % do not require it
- *Sophisticated*: 93.8 % of respondents require the blessings whereas 6.3 % do not require it
- *Minority*: 74.3 % of respondents require the blessings whereas 25.7 % do not require it.

These figures are indicative of the religious nature of Saudi shareholders and the Saudi Society as a whole. However, it seems as *Minority Shareholders* are more liberalized from religious restrictions than any other segment. Perhaps, this is due to the price they have paid and the losses they have incurred relying on such religiously driven advertisements. Further investigation of the religious factor will be conducted in the hypothesis phase of this section.

Nevertheless, such hypothesis testing shall be delayed until further descriptive analysis of the distributions of CV dimensions uncovers other basic features of the data. In addition, such undertaken will show whether or not assignments of Hofstede's (2010) CVD to the corresponding OECD principles of CG pertaining to Saudi minority shareholders is capable of measuring the CVD of Saudi shareholders. Hence, a partial objective of the first research question, To what extent do available cultural models (for example, Hofstede (2010)) explain the quality of the exercise of minority shareholders' rights as defined by the OECD in Saudi Arabia?, will be met.

2-Shareholder type specific- Demographic characteristics' analysis

				AGE			
SHARE HOLDER TYPE				Frequency	Percent	Valid Percent	Cumulative Percent
MAJORITY	Valid	25-45		14	87.5	87.5	87.5
		>45		2	12.5	12.5	100.0
		Total		16	100.0	100.0	
SOPOSTICATED	Valid	25-45		12	70.6	70.6	70.6
		>45		5	29.4	29.4	100.0
		Total		17	100.0	100.0	
MINORITY	Valid	25-45		26	74.3	74.3	74.3
		>45		4	11.4	11.4	85.7
		18-24		5	14.3	14.3	100.0
		Total		35	100.0	100.0	
NONSHAREHOLDERS	Valid	25-45		9	60.0	69.2	69.2
		>45		4	26.7	30.8	100.0
		Total		13	86.7	100.0	
	Missing	-99		2	13.3		
	Total			15	100.0		

GENDER

SHARE HOLDER TYPE			Frequency	Percent	Valid Percent	Cumulative Percent
MAJORITY	Valid	Male	16	100.0	100.0	100.0
SOPOSTICATED	Valid	Male	14	82.4	82.4	82.4
		Female	3	17.6	17.6	100.0
		Total	17	100.0	100.0	
MINORITY	Valid	Male	22	62.9	62.9	62.9
		Female	13	37.1	37.1	100.0
		Total	35	100.0	100.0	
NONSHAREHOLDERS	Valid	Male	8	53.3	61.5	61.5
		Female	5	33.3	38.5	100.0
		Total	13	86.7	100.0	
	Missing	-99	2	13.3		
	Total		15	100.0		

EDUCATIONAL LEVEL

SHARE HOLDER TYPE			Frequency	Percent	Valid Percent	Cumulative Percent
MAJORITY	Valid	university diploma	2	12.5	12.5	12.5
		master degree	6	37.5	37.5	50.0
		bachelor degree	8	50.0	50.0	100.0
		Total	16	100.0	100.0	
SOPOSTICATED	Valid	university diploma	6	35.3	37.5	37.5
		phd degree	1	5.9	6.3	43.8
		master degree	1	5.9	6.3	50.0
		bachelor degree	8	47.1	50.0	100.0

		Total	16	94.1	100.0	
	Missing	-99	1	5.9		
		Total	17	100.0		
MINORITY	Valid	high school	3	8.6	8.6	8.6
		university diploma	7	20.0	20.0	28.6
		master degree	7	20.0	20.0	48.6
		bachelor degree	18	51.4	51.4	100.0
		Total	35	100.0	100.0	
NONSHAREHOLDERS	Valid	high school	2	13.3	15.4	15.4
		university diploma	4	26.7	30.8	46.2
		phd degree	1	6.7	7.7	53.8
		bachelor degree	6	40.0	46.2	100.0
		Total	13	86.7	100.0	
	Missing	-99	2	13.3		
		Total	15	100.0		

Have you had any previous work experience related to share trading?

SHARE HOLDER TYPE			Frequency	Percent	Valid Percent	Cumulative Percent
MAJORITY	Valid	Yes	12	75.0	75.0	75.0
		No	4	25.0	25.0	100.0
		Total	16	100.0	100.0	
SOPOSTICATED	Valid	Yes	5	29.4	29.4	29.4
		No	12	70.6	70.6	100.0
		Total	17	100.0	100.0	
MINORITY	Valid	Yes	12	34.3	34.3	34.3
		No	23	65.7	65.7	100.0
		Total	35	100.0	100.0	

NONSHAREHOLDERS	Valid	No	13	86.7	100.0	100.0
	Missing	-99	2	13.3		
	Total		15	100.0		

Have you been trading in the stock market?

SHARE HOLDER TYPE			Frequency	Percent	Valid Percent	Cumulative Percent	
MAJORITY	Valid	Yes	11	68.8	68.8	68.8	
		No	5	31.3	31.3	100.0	
		Total	16	100.0	100.0		
SOPOSTICATED	Valid	Yes	10	58.8	58.8	58.8	
		No	7	41.2	41.2	100.0	
		Total	17	100.0	100.0		
MINORITY	Valid	Yes	19	54.3	54.3	54.3	
		No	16	45.7	45.7	100.0	
		Total	35	100.0	100.0		
NONSHAREHOLDERS	Valid	No	12	80.0	100.0	100.0	
		Missing	-99	3	20.0		
		Total	15	100.0			

For how long have you been trading in the Stock Market?

SHARE HOLDER TYPE			Frequency	Percent	Valid Percent	Cumulative Percent
MAJORITY	Valid	11-20 years	2	12.5	12.5	12.5
		4-10 years	2	12.5	12.5	25.0
		1-3 years	8	50.0	50.0	75.0
		< 1 year	4	25.0	25.0	100.0
		Total	16	100.0	100.0	

SOPOSTICATED	Valid	4-10 years	4	23.5	25.0	25.0
		1-3 years	8	47.1	50.0	75.0
		< 1 year	4	23.5	25.0	100.0
		Total	16	94.1	100.0	
	Missing	-99	1	5.9		
	Total		17	100.0		
MINORITY	Valid	4-10 years	8	22.9	23.5	23.5
		1-3 years	12	34.3	35.3	58.8
		< 1 year	14	40.0	41.2	100.0
		Total	34	97.1	100.0	
	Missing	-99	1	2.9		
	Total		35	100.0		
NONSHAREHOLDERS	Missing	-99	15	100.0		

What is the longest period you have held onto a certain class of shares?

SHARE HOLDER TYPE			Frequency	Percent	Valid Percent	Cumulative Percent
MAJORITY	Valid	2-3 years	1	6.3	6.3	6.3
		1 year	5	31.3	31.3	37.5
		6-12 months	1	6.3	6.3	43.8
		4-6 months	2	12.5	12.5	56.3
		2-3 months	2	12.5	12.5	68.8
		>1 month	5	31.3	31.3	100.0
		Total	16	100.0	100.0	
SOPOSTICATED	Valid	>4 years	2	11.8	11.8	11.8
		2-3 years	2	11.8	11.8	23.5
		1 year	2	11.8	11.8	35.3

		6-12 months	2	11.8	11.8	47.1
		4-6 months	3	17.6	17.6	64.7
		2-3 months	4	23.5	23.5	88.2
		>1 month	2	11.8	11.8	100.0
		Total	17	100.0	100.0	
MINORITY	Valid	>4 years	4	11.4	11.8	11.8
		2-3 years	7	20.0	20.6	32.4
		1 year	3	8.6	8.8	41.2
		6-12 months	2	5.7	5.9	47.1
		4-6 months	7	20.0	20.6	67.6
		2-3 months	3	8.6	8.8	76.5
		>1 month	8	22.9	23.5	100.0
		Total	34	97.1	100.0	
	Missing	-99	1	2.9		
	Total	35	100.0			
NONSHAREHOLDERS	Missing	-99	15	100.0		

From this Questionnaire, how much information have you been aware of regarding your rights as a shareholder?

SHARE HOLDER TYPE			Frequency	Percent	Valid Percent	Cumulative Percent
MAJORITY	Valid	90-100%	4	25.0	25.0	25.0
		70-80%	12	75.0	75.0	100.0
		Total	16	100.0	100.0	
SOPOSTICATED	Valid	40-60%	17	100.0	100.0	100.0
MINORITY	Valid	20-30%	12	34.3	36.4	36.4

		<10%	21	60.0	63.6	100.0
		Total	33	94.3	100.0	
	Missing	-99	2	5.7		
	Total		35	100.0		
NONSHAREHOLDERS	Valid	70-80%	1	6.7	9.1	9.1
		40-60%	2	13.3	18.2	27.3
		20-30%	3	20.0	27.3	54.5
		<10%	5	33.3	45.5	100.0
		Total	11	73.3	100.0	
	Missing	-99	3	20.0		
		System	1	6.7		
		Total	4	26.7		
Total		15	100.0			

Will you require the blessing of a religious scholar to enforce these rights

SHARE HOLDER TYPE			Frequency	Percent	Valid Percent	Cumulative Percent
MAJORITY	Valid	Yes	14	87.5	87.5	87.5
		No	2	12.5	12.5	100.0
		Total	16	100.0	100.0	
SOPOSTICATED	Valid	Yes	15	88.2	93.8	93.8
		No	1	5.9	6.3	100.0
		Total	16	94.1	100.0	
	Missing	-99	1	5.9		
	Total		17	100.0		
MINORITY	Valid	Yes	26	74.3	74.3	74.3
		No	9	25.7	25.7	100.0
		Total	35	100.0	100.0	

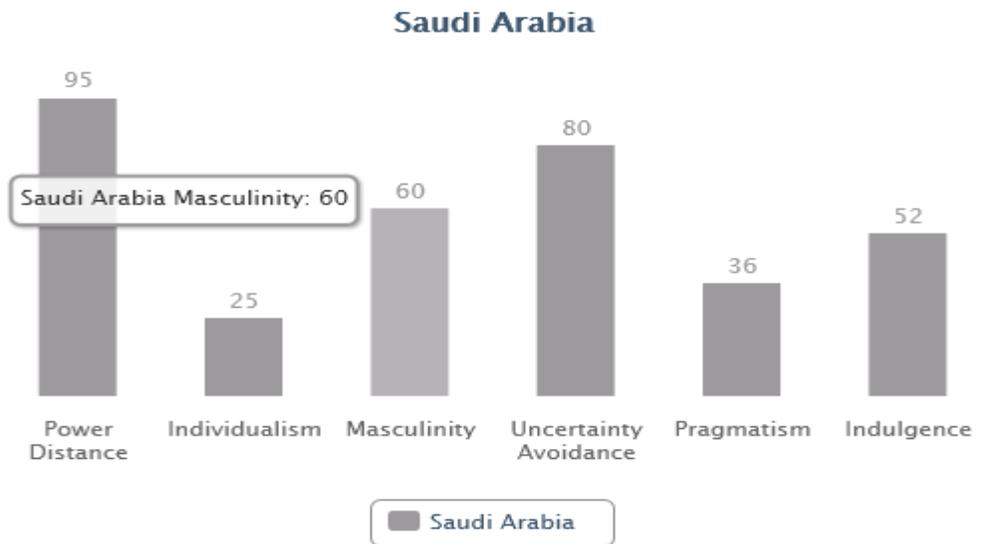
NONSHAREHOLDERS	Valid	Yes	6	40.0	50.0	50.0
		No	6	40.0	50.0	100.0
		Total	12	80.0	100.0	
	Missing	-99	2	13.3		
		System	1	6.7		
		Total	3	20.0		
	Total		15	100.0		

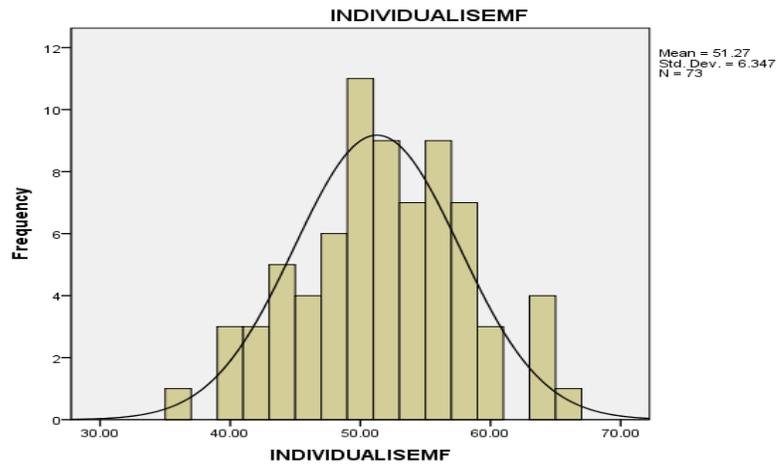
11.4 APPENDIX C.4: Distributions of CVD Dimensions

Statistics

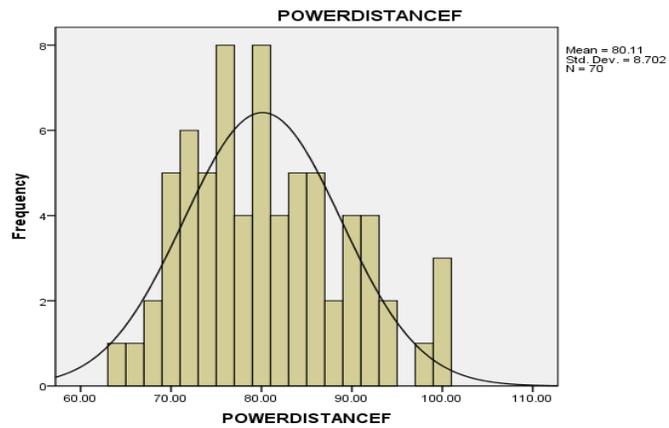
	INDIVIDUALISE MF	POWERDIST ANCEF	UNCERTAINTYAV OIDANCEF	FEMININITY F	LONGTERMOR IENTATIONF
N Valid	73	70	69	73	73
Missing	10	13	14	10	10
Mean	51.2740	80.1143	79.8116	55.7945	30.1918
Median	51.0000	80.0000	78.0000	54.0000	31.0000
Mode	49.00	75.00 ^a	74.00	48.00	32.00 ^a
Std. Deviation	6.34705	8.70206	8.88700	8.05357	3.66158
Skewness	-.017	.436	.383	.335	-.709
Std. Error of Skewness	.281	.287	.289	.281	.281
Kurtosis	-.278	-.467	-.109	-.746	.211
Std. Error of Kurtosis	.555	.566	.570	.555	.555

a. Multiple modes exist. The smallest value is shown

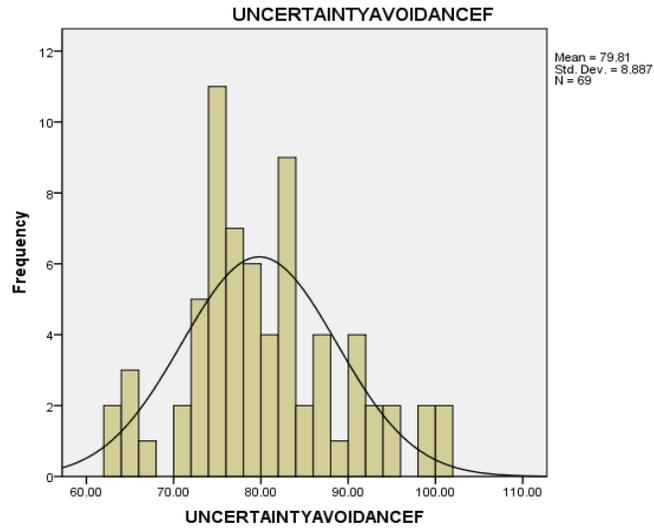




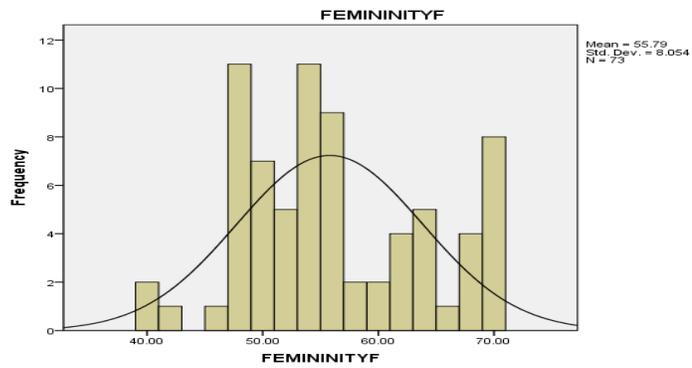
By looking at the graph, we can see how the distribution of *Individualism* scored by Saudi shareholders is normally distributed.



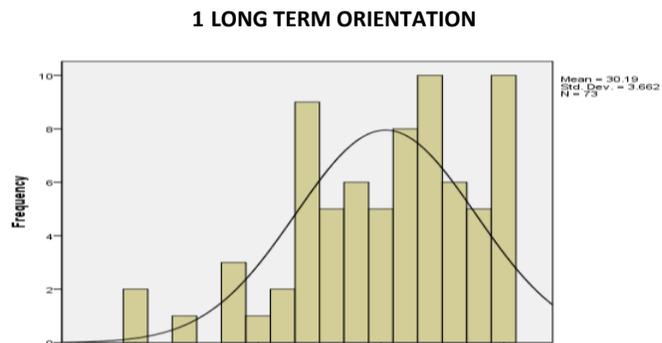
By looking at the graph, we can see how the distribution of *Power Distance* scored by Saudi shareholders is normally distributed.



By looking at the graph, we can see how the distribution of *Uncertainty Avoidance* scored by Saudi shareholders is normally distributed



By looking at the graph, we can see how the distribution of *Femininity* scored by Saudi shareholders is not normally distributed but rather kurtosis.



By looking at the graph, we can see how the distribution of *Long Term orientation* scored by Saudi shareholders is not normally distributed but rather negatively skewed. The Mode, 32, is higher than the Median and the Mean. Even though respondents have not scored high enough on this dimension but we could see there is a tendency in the culture to have a higher score.

11.5 APPENDIX C.5: The Distribution on the CVD on Shareholders' Type

By talking a step further, and looking at how each shareholder's type, namely: Majority, Sophisticated, and Minority score on the CVD, new findings emerge regarding the Saudi sub-cultures that exist using the *Central of Tendency Distribution technique*:

SHARE HOLDER TYPE			INDIVIDUALISEMF	POWERDISTANCEF	UNCERTAINTYAVOIDANCEF	FEMININITYF	LONGTERMORIENTATIONF
MAJORITY	N	Valid	16	16	16	16	15
		Missing	0	0	0	0	1
		Mean	47.6250	74.2500	72.8125	50.6875	27.2667
		Median	49.0000	74.0000	74.5000	50.0000	27.0000
		Mode	49.00	75.00	74.00 ^a	48.00	27.00
		Std. Deviation	5.48787	3.94124	6.76480	2.98259	2.65832
		Skewness	.337	.773	-.173	1.018	1.617
		Std. Error of Skewness	.564	.564	.564	.564	.580
		Kurtosis	.269	.059	-.627	-.315	4.893
		Std. Error of Kurtosis	1.091	1.091	1.091	1.091	1.121
	SOPOSTICATED	N	Valid	14	13	12	13
		Missing	3	4	5	4	1
		Mean	51.5714	79.6923	79.0000	53.3846	30.4375
		Median	52.0000	82.0000	78.5000	53.0000	30.5000
		Mode	51.00 ^a	69.00 ^a	72.00	53.00	28.00 ^a
		Std. Deviation	5.40248	7.80368	6.53661	5.48541	3.75888
		Skewness	-.343	-.705	.574	-.640	-1.217
		Std. Error of Skewness	.597	.616	.637	.616	.564
		Kurtosis	-1.400	-.452	-.547	2.803	3.007
		Std. Error of Kurtosis	1.154	1.191	1.232	1.191	1.091

MINORITY	N	Valid	31	29	28	30	28	
		Missing	4	6	7	5	7	
	Mean	52.2903	82.0345	82.1071	58.2667	30.7500		
	Median	53.0000	84.0000	82.0000	60.0000	32.0000		
	Mode	52.00 ^a	80.00 ^a	82.00	53.00 ^a	32.00		
	Std. Deviation	6.01772	8.97808	8.19367	9.02844	3.67801		
	Skewness	-.624	-.195	.076	-.425	-1.565		
	Std. Error of Skewness	.421	.434	.441	.427	.441		
	Kurtosis	1.082	-.772	-.675	-.887	2.231		
	Std. Error of Kurtosis	.821	.845	.858	.833	.858		
	NONSHAREHOLDERS	N	Valid	12	12	13	14	14
			Missing	3	3	2	1	1
Mean		53.1667	83.7500	84.2308	58.5714	31.9286		
Median		51.5000	79.5000	82.0000	56.5000	32.5000		
Mode		43.00 ^a	75.00	82.00 ^a	70.00	35.00		
Std. Deviation		7.94107	10.38465	10.03456	8.89005	2.89467		
Skewness		.307	.707	.682	.200	-.650		
Std. Error of Skewness		.637	.637	.616	.597	.597		
Kurtosis		-1.392	-1.273	-1.017	-1.575	-.460		
Std. Error of Kurtosis		1.232	1.232	1.191	1.154	1.154		

a. Multiple modes exist. The smallest value is shown

11.6 APPENDIX C.6: Testing the Normality of Distributions of CVD Across Independent Samples of Shareholder's Type

The Kolmogorov-Smirnov Test has been used to see the normality of the distributions of CVD across independent samples of shareholder's type. As a result, distributions between all independent samples of shareholder's type were found normal across Hofstede's CVD except for Majority-Minority group comparison.

Kolmogorov-Smirnov Test (Majority- Minority) comparison

		INDIVIDUALI SEMF	POWERDISTA NCEF	UNCERTAINTYAVOID ANCEF	FEMININI TYF	LONGTERMORIENT ATIONF
Most Extreme Differences	Absolute	.522	.530	.580	.567	.719
	Positive	.032	.103	.000	.133	.071
	Negative	-.522	-.530	-.580	-.567	-.719
Kolmogorov-Smirnov Z		1.696	1.702	1.852	1.830	2.247
Asymp. Sig. (2-tailed)		.006	.006	.002	.002	.000

a. Grouping Variable: SHARE HOLDER TYPE

Kolmogorov-Smirnov Test (Sophisticated- Minority) comparison

		INDIVIDUALI SEMF	POWERDISTA NCEF	UNCERTAINTYAVOID ANCEF	FEMININI TYF	LONGTERMORIENT ATIONF
Most Extreme Differences	Absolute	.157	.210	.238	.413	.214
	Positive	.092	.064	.107	.156	.116
	Negative	-.157	-.210	-.238	-.413	-.214
Kolmogorov-Smirnov Z		.487	.628	.690	1.243	.684

Asymp. Sig. (2-tailed)	.972	.825	.728	.091	.738
------------------------	------	------	------	------	------

a. Grouping Variable: SHARE HOLDER TYPE

Kolmogorov-Smirnov Test (Minority- Non-shareholders) comparison

		INDIVIDUALI SEMF	POWERDISTA NCEF	UNCERTAINTYAVOID ANCEF	FEMININI TYF	LONGTERMORIENT ATIONF
Most Absolute Differences		.210	.216	.231	.186	.214
	Positive	.204	.216	.231	.186	.214
	Negative	-.210	-.184	-.099	-.138	.000
Kolmogorov-Smirnov Z		.617	.628	.688	.574	.655
Asymp. Sig. (2-tailed)		.841	.825	.732	.897	.785

a. Grouping Variable: SHARE HOLDER TYPE

11.7 APPENDIX C.7: Kruskal-Wallis for Testing the Hypotheses

- A. **Kruskal-Wallis test:** has been used as it compares all 4 independent samples at once on each of the CVD framework’s elements. The results indicated rejections of all null hypotheses that the distribution of CVD framework is the same across categories of shareholder’s type except for Individualism.

	Null Hypothesis	Test	Sig	Decision
1	The distribution of Individualism is the Same across categories of Share Holder Type	Independent Samples Kruskal-Wallis Test	.052	Retain the Null Hypothesis
2	The distribution of Power Distance is the Same across categories of Share Holder Type	Independent Samples Kruskal-Wallis Test	.010	Reject the Null Hypothesis
3	The distribution of Uncertainty Avoidance is the Same across categories of Share Holder Type	Independent Samples Kruskal-Wallis Test	.005	Reject the Null Hypothesis
4	The distribution of Femininity is the Same across categories of Share Holder Type	Independent Samples Kruskal-Wallis Test	.009	Reject the Null Hypothesis
5	The distribution of Long Term Orientation is the Same across categories of Share Holder Type	Independent Samples Kruskal-Wallis Test	.001	Reject the Null Hypothesis

Following the mean rank of the **Kruskal-Wallis** test on CV Dimensions on across shareholder’s type confirmed with the early results of the Mode , and Median comparisons of the descriptive statistics except for Power Distance between minority and non shareholders.

Ranks

	SHARE HOLDER TYPE	N	Mean Rank
INDIVIDUALISEMF	MAJORITY	16	24.09
	SOPOSTICATED	14	38.96
	MINORITY	31	41.21
	NONSHAREHOLDERS	12	41.04
	Total	73	
POWERDISTANCEF	MAJORITY	16	20.78
	SOPOSTICATED	13	36.42
	MINORITY	29	40.64
	NONSHAREHOLDERS	12	41.71
	Total	70	
UNCERTAINTYAVOIDANCEF	MAJORITY	16	20.28
	SOPOSTICATED	12	32.92

	MINORITY	28	40.73
	NONSHAREHOLDERS	13	42.69
	Total	69	
FEMININITYF	MAJORITY	16	22.69
	SOPOSTICATED	13	33.35
	MINORITY	30	43.17
	NONSHAREHOLDERS	14	43.54
	Total	73	
LONGTERMORIENTATIONF	MAJORITY	15	17.97
	SOPOSTICATED	16	38.75
	MINORITY	28	41.18
	NONSHAREHOLDERS	14	47.04
	Total	73	

Test Statistics^{a,b}

	INDIVIDUALIS EMF	POWERDISTAN CEF	UNCERTAINTY AVOIDANCEF	FEMININITYF	LONGTERMOR IENTATIONF
Chi-Square	7.721	11.388	12.978	11.614	16.569
df	3	3	3	3	3
Asymp. Sig.	.052	.010	.005	.009	.001

a. Kruskal-Wallis Test

b. Grouping Variable: SHARE HOLDER TYPE

11.8 APPENDIX C.8: Results of Mann-Whitney Test

- A. **Mann-Whitney Test:** has also been used to compare the level of CVD elements cross a paired category of shareholder's type. Results indicated no significance between paired groups' comparisons except between minority and Majority shareholder's types.

		Ranks		
	SHARE HOLDER TYPE	N	Mean Rank	Sum of Ranks
INDIVIDUALISEMF	MAJORITY	16	16.50	264.00
	MINORITY	31	27.87	864.00
	Total	47		
POWERDISTANCEF	MAJORITY	16	15.03	240.50
	MINORITY	29	27.40	794.50
	Total	45		
UNCERTAINTYAVOIDANCEF	MAJORITY	16	13.94	223.00
	MINORITY	28	27.39	767.00
	Total	44		
FEMININITYF	MAJORITY	16	15.84	253.50
	MINORITY	30	27.58	827.50
	Total	46		
LONGTERMORIENTATIONF	MAJORITY	15	13.67	205.00
	MINORITY	28	26.46	741.00
	Total	43		

Test Statistics ^a					
	INDIVIDUALISE MF	POWERDISTA NCEF	UNCERTAINTY AVOIDANCEF	FEMININITYF	LONGTERMOR IENTATIONF
Mann-Whitney U	128.000	104.500	87.000	117.500	85.000
Wilcoxon W	264.000	240.500	223.000	253.500	205.000
Z	-2.701	-3.028	-3.348	-2.834	-3.211
Asymp. Sig. (2-tailed)	.007	.002	.001	.005	.001

Exact Sig. (2-tailed)	.006	.002	.001	.004	.001
Exact Sig. (1-tailed)	.003	.001	.000	.002	.000
Point Probability	.000	.000	.000	.000	.000

a. Grouping Variable: SHARE HOLDER TYPE

		Ranks		
	SHARE HOLDER TYPE	N	Mean Rank	Sum of Ranks
INDIVIDUALISEMF	SOPOSTICATED	14	22.04	308.50
	MINORITY	31	23.44	726.50
	Total	45		
POWERDISTANCEF	SOPOSTICATED	13	19.27	250.50
	MINORITY	29	22.50	652.50
	Total	42		
UNCERTAINTYAVOIDANCEF	SOPOSTICATED	12	17.46	209.50
	MINORITY	28	21.80	610.50
	Total	40		
FEMININITYF	SOPOSTICATED	13	16.50	214.50
	MINORITY	30	24.38	731.50
	Total	43		
LONGTERMOrientationF	SOPOSTICATED	16	20.81	333.00
	MINORITY	28	23.46	657.00
	Total	44		

Test Statistics^b

	INDIVIDUALISE MF	POWERDISTA NCEF	UNCERTAINTY AVOIDANCEF	FEMININITYF	LONGTERMOR IENTATIONF
Mann-Whitney U	203.500	159.500	131.500	123.500	197.000
Wilcoxon W	308.500	250.500	209.500	214.500	333.000
Z	-.332	-.790	-1.079	-1.899	-.664
Asymp. Sig. (2-tailed)	.740	.429	.281	.058	.507
Exact Sig. [2*(1-tailed Sig.)]		.435 ^a	.286 ^a	.058 ^a	
Exact Sig. (2-tailed)	.748	.438	.288	.058	.515
Exact Sig. (1-tailed)	.374	.219	.144	.029	.257
Point Probability	.005	.004	.003	.001	.004

a. Not corrected for ties.

b. Grouping Variable: SHARE HOLDER TYPE

11.9 APPENDIX C.9: Chi-Square & Fisher Exact Tests

- B. **Chi-Square Test:** found not suitable with my data as the expected frequency in most cases is less than 5 which validates a majored pre-test condition for the chi-square.
- C. Hence; **Fisher’s exact** test will be used to solve the problems I have with the chi-square assumptions of expected frequency of no less than 5.

The significant relationships found between Categorical Variables using fisher exact are:

1- CVD In relation to Demographic:

CVD	Null Hypothesis	Between	Decision
<i>Individualism</i>	There is no significant relationship between:	Individualism & Information awareness	Reject The Null Hypothesis
<i>Power Distance</i>	There is no significant relationship between	Power Distance & Information Awareness,	Reject The Null Hypothesis
	There is no significant relationship between	Power Distance & Age	Reject The Null Hypothesis
<i>Uncertainty Avoidance</i>	There is no significant relationship between	Uncertainty Avoidance & Information Awareness	Reject The Null Hypothesis
	There is no significant relationship between	Uncertainty Avoidance & length of shareholding	Reject The Null Hypothesis
	There is no significant relationship between:	Uncertainty Avoidance & Age	Reject The Null Hypothesis
	There is no significant relationship between	Uncertainty Avoidance & Gender	Reject The Null Hypothesis
<i>Femininity</i>	There is no significant relationship between	Femininity & Information Awareness,	Reject The Null Hypothesis
	There is no significant relationship between	Femininity & Gender	Reject The Null Hypothesis
<i>long Term Orientation</i>	There is no significant relationship between	Long Term Orientation & Education Level	Reject The Null Hypothesis
	There is no significant relationship between	Long Term Orientation & Religion	Reject The Null Hypothesis

2- CVD In Relations to ShareholdersType

CVD	Null Hypothesis	Between	Decision
<i>Femininity</i>	There is no significant relationship between:	Femininity & shareholders’ type	Reject The Null Hypothesis
<i>Long Term Orientation</i>	There is no significant relationship between	Long term orientation & shareholders’ type	Reject The Null Hypothesis

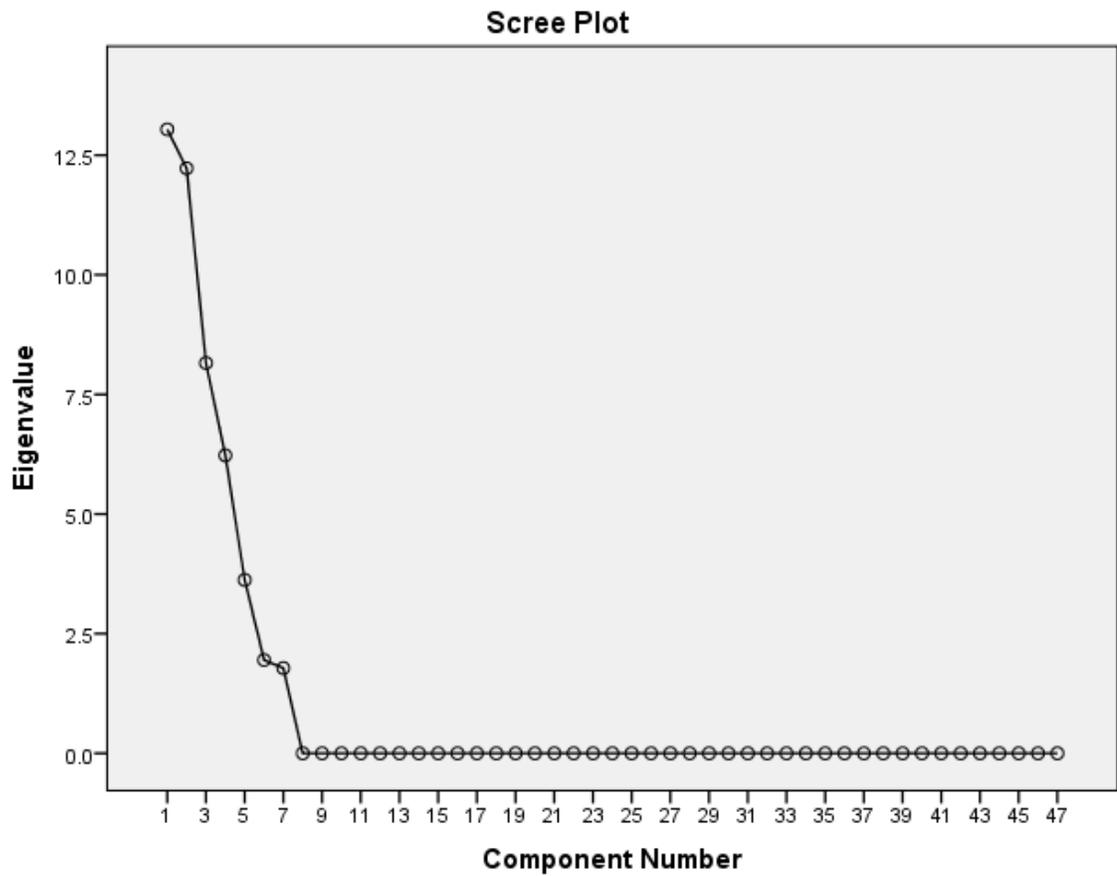
11.10 APPENDIX C.10: Preliminary Factorial Analysis

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	1	13.040	27.744	27.744	13.040	27.744	27.744	11.705	24.903
2	12.226	26.013	53.757	12.226	26.013	53.757	9.576	20.375	45.278
3	8.157	17.354	71.111	8.157	17.354	71.111	8.684	18.476	63.754
4	6.226	13.247	84.359	6.226	13.247	84.359	7.657	16.292	80.046
5	3.622	7.706	92.065	3.622	7.706	92.065	3.284	6.986	87.032
6	1.949	4.147	96.212	1.949	4.147	96.212	3.274	6.966	93.998
7	1.780	3.788	100.000	1.780	3.788	100.000	2.821	6.002	100.000
8	8.233E-16	1.752E-15	100.000						
9	4.733E-16	1.007E-15	100.000						
10	4.250E-16	9.044E-16	100.000						
11	3.878E-16	8.251E-16	100.000						
12	3.380E-16	7.190E-16	100.000						
13	3.079E-16	6.552E-16	100.000						
14	2.364E-16	5.029E-16	100.000						
15	2.016E-16	4.289E-16	100.000						

16	1.840E- 16	3.915E- 16	100.000						
17	1.550E- 16	3.298E- 16	100.000						
18	1.375E- 16	2.926E- 16	100.000						
19	1.040E- 16	2.212E- 16	100.000						
20	7.475E- 17	1.590E- 16	100.000						
21	6.110E- 17	1.300E- 16	100.000						
22	2.744E- 17	5.839E- 17	100.000						
23	2.184E- 17	4.646E- 17	100.000						
24	1.903E- 20	4.050E- 20	100.000						
25	1.770E- 33	3.765E- 33	100.000						
26	- 1.171E- 32	-2.491E- 32	100.000						
27	- 1.460E- 32	-3.106E- 32	100.000						
28	- 1.653E- 18	-3.518E- 18	100.000						
29	- 5.231E- 18	-1.113E- 17	100.000						

41	-	-6.522E-	100.000					
	3.065E-	16						
	16							
42	-	-7.588E-	100.000					
	3.566E-	16						
	16							
43	-	-8.722E-	100.000					
	4.099E-	16						
	16							
44	-	-1.008E-	100.000					
	4.737E-	15						
	16							
45	-	-1.344E-	100.000					
	6.317E-	15						
	16							
46	-	-1.462E-	100.000					
	6.870E-	15						
	16							
47	-	-1.514E-	100.000					
	7.114E-	15						
	16							

Extraction Method: Principal Component Analysis.



Rotated Component Matrix^a

	Component						
	1	2	3	4	5	6	7
Secure methods of ownership registration IND=H	-.245	.787	.291	.064	.377	.236	.184
Convey or transfer shares IND=H	.275	.179	.148	.283	-.061	.880	.109
Obtain relevant and material information on a timely and regular basis LTO=H	-.020	-.163	.479	.037	-.136	.267	.808
Participate and vote in general shareholder meetings PD=L IND=H	.254	.447	-.251	.770	.106	.206	-.160
Elect and remove members of the board PD=L IND=H	-.106	-.207	.890	.323	.077	.210	.024

Share in the profits of the corporation LTO=H	-	-	.117	.938	-	.025	.147
	.142-	.027-			.250-		
Amendments to the statutes or articles of incorporation PD=L, IND=H, UA=L	-	-	.581	-	-	-	.121
	.404-	.501-		.180-	.092-	.440-	
Authorization of additional shares PD=L IND=H UA=L	.714	-	.027	-	.473	-	-
		.134-		.071-		.287-	.401-
Extraordinary transactions resulting in the sale of the company LTO=H	.881	.087	-	.439	-	-	-
			.092-		.081-	.090-	.017-
Rules, including voting procedures, that govern general shareholder meetings IND=H UA=L	.446	-	.482	.677	.110	.183	-
		.243-					.077-
Date, location and agenda of general meetings UA=L	-	.393	.546	.558	.107	.325	-
	.344-						.048-
Issues to be decided at the meeting PD=L UA=L	-	.227	.354	.244	-	.651	.271
	.453-				.248-		
Place items on the agenda of general meetings IND=H, PD=L	.318	.258	.562	-	.502	.400	-
				.054-			.318-
Propose resolutions, subject to reasonable limitations IND=H PD=L	-	.437	.427	-	.255	.727	-
	.011-			.151-			.098-
Nomination and election of board members IND=H PD=L UA=L	-	-	.766	-	-	-	.203
	.324-	.492-		.056-	.142-	.034-	
Remuneration policy for board members and key executives. IND=H PD=L UA=L	.372	-	.131	-	-	-	.091
		.753-		.453-	.071-	.242-	
Approval of compensation schemes for board members and employees IND=H PD=L UA=L	.142	.027	-	-	.250	-	-
			.117-	.938-		.025-	.147-
Equal effect whether cast in person or in absentia. IND=H FEM=H	.323	-	.625	.179	.285	.393	-
		.112-					.475-
Capital structures enabling certain shareholders to obtain a degree of control disproportionate to their shares UA=L FEM=H	.004	.456	.439	.389	-	.117	.402
					.523-		
Rules governing acquisitions should be clearly articulated and disclosed to you UA=L PD=L	.436	-	-	.885	-	.043	-
		.105-	.095-		.068-		.020-
Transactions should occur at transparent prices and under fair conditions UA=L FEM=H	-	.393	.546	.558	.107	.325	-
	.344-						.048-

Anti-take-over devices shouldn't be used to shield management and board 4. PD=L UA=L FEM=H	.765	-	.074	.103	.608	.172	.014
		.012-					
Their overall corporate governance and voting policies FEM=H PD=L UA=L	.959	.001	.035	.190	.202	-	.040
						.033-	
Procedures that they have in place for deciding on the use of their voting rights. FEM=H UA=L	-	.349	.844	.347	-	.172	.083
	.088-				.043-		
Material conflicts of interest affecting the exercise of key ownership rights UA=L PD=L	-	.005	.036	.690	.259	-	.669
	.080-					.038-	
Each other on issues concerning basic shareholders' rights UA=L IND=H	.950	.006	.263	-	.126	-	-
				.033-		.006-	.106-
The financial and operating results of a company. LTO=H UA=L	.051	.175	.160	.688	.009	-	.670
						.134-	
Major share ownership and voting rights. PD=L UA=L	-	-	.676	.679	-	.158	.088
	.143-	.157-			.068-		
Related party transactions. PD=L UA=L	.173	.090	.963	-	-	.018	.134
				.102-	.075-		
Foreseeable risk factors. LTO=H UA=L	.173	.090	.963	-	-	.018	.134
				.102-	.075-		
Provide an external and objective assurances to the board and shareholders FEM=H LTO=H UA=L	.923	-	.107	-	-	.173	.095
		.126-		.269-	.101-		
Represent fairly the financial position and performance in all material respects FEM=H LTO=H UA=L	.923	-	.107	-	-	.173	.095
		.126-		.269-	.101-		
Owing a duty to companies to exercise due professional care in their conduct FEM=H UA=L	.923	-	.107	-	-	.173	.095
		.126-		.269-	.101-		
Board members acting on a fully informed basis, in good faith, with due diligence FEM= H UA=L	-	.985	-	-	-	.094	-
	.130-		.049-	.033-	.003-		.028-
The board treating all shareholders fairly when decisions affect different groups FEM=H UA=L	.103	.922	-	-	.172	.154	-
			.214-	.105-			.170-
The board applying high ethical standards; with interests of stakeholders in mind FEM=H UA=L	-	.985	-	-	-	.094	-
	.130-		.049-	.033-	.003-		.028-
Within any series of a class, all shares should not carry the same rights. 6. FEM=H PD=L	.620	.268	-	.546	.210	.165	-
			.341-				.240-

Info about rights attached to shares shouldn't be obtained before purchasing IND=H UA=L	-	.031	.106	.442	-	.099	-
	.014-				.881-		.078-
Changes in voting rights shouldn't be subject to approval by classes of shares negatively affected.IND=H PD=L FEM=H	.539	.278	-	.359	.594	.305	-
			.173-				.165-
Actions by controlling shareholders acting directly or indirectly for the benefits of their substantially invested capital FEM=H PD=L	.969	.100	-	.132	.002	-	-
			.137-			.103-	.068-
General meetings' (gm) procedures disallowing equitable treatment of all shareholders. FEM=H PD=L UA=L	.792	.568	-	.161	-	-	.000
			.065-		.100-	.098-	
Insider trading benefiting majority shareholders. FEM=H PD=L	.145	.706	.614	.066	-	-	.192
					.244-	.050-	
Board members not disclosing material interest in transactions they have stake in FEM=H PD=L	.948	-	-	.052	.134	-	-
		.007-	.231-			.040-	.160-
Company procedures (cp) disallowing effective means of redress by minorities FEM=H UA=L	.565	.708	-	-	.201	.099	-
			.284-	.055-			.213-
Company procedures making it difficult and expensive for (cp) minorities to cast votes FEM=H UA=L	.374	.833	.350	.077	-	-	.097
					.164-	.036-	
Company procedures disallowing Votes casting by custodians on behalf of minorities. FEM=H UA=L	.005	.726	.662	-	.000	.113	.042
			.142-				
Company procedures' impediments to cross border voting FEM=H UA=L	.011	.963	.091	.107	-	-	.110
					.202-	.028-	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 14 iterations.

Component Transformation Matrix

Component	1	2	3	4	5
1	.606	.565	.360	-.021-	.428
2	-.688-	.322	.415	.449	.222
3	.316	-.653-	.268	.595	.219
4	.068	.263	-.777-	.516	.236

5	.235	.286	.149	.420	-815-
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Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Frequencies

		Statistics				
		INDIVIDUALI SEM	LONGTERMOREINT ATION	FEMINIS EM	POWERDISTA NCE	UNCERTAINTYAVOID ANCE
N	Valid	8	8	8	8	8
	Missi ng	2	2	2	2	2
Mean		4.0156	4.4107	4.2784	4.1136	4.2773
Std. Deviation		.34192	.52036	.58334	.44735	.36191
Skewness		-.369-	-.458-	-.382-	-.480-	-.440-
Std. Error of Skewness		.752	.752	.752	.752	.752
Range		1.00	1.43	1.59	1.27	1.03
Percentil es	25	3.7500	3.9286	3.6818	3.7727	3.9766
	50	4.0313	4.5000	4.3864	4.2045	4.3438
	75	4.3594	4.9286	4.7841	4.5341	4.6016

12. APPENDIX D: QUALITATIVE RESULTS

12.1 APPENDIX D.1: A sample of Conducted Interviews – English

Source	Main Question	Answer
<p>A. Legal Environment</p>	<p>What could you say about the effect of the legal environment; legal rules, their enforcements and specialized courts on the nature of listed Saudi Companies' compliance with CG laws pertaining to minorities' rights</p> <p>How about the specialized courts? Are they existent?</p> <p>Do you mean in the execution of the law itself, the judge is speiclaiesd in Islamic principles of the law, but not in commericial law?</p> <p>Are the minority shareholders rights existent in the market? Are the public well aware of? and how are they legislated?</p>	<p>It suffers from lacking not in legislating new laws but in executing them.</p> <p>Unfortunately, we are in an environment where you have to knock the doors of different governmental organizations where as there should be a clear governmental organization for minority shareholders where they should voice there opinon. Hence, this governmental organization should be linking minority shareholder holders with other governmental organizations.</p> <p>This is what it should be like. Unfortunately, the rights of the small share holders not the bing once, are not beneficial,. Hence, their risk is bigger than the big shareholders due to the lack of significance given to them by the environment and the small amount of money invested by them.</p> <p>I personally view these courts are not specialized. even if you title them specialized courts: because the person holding the seat within is a person not specialized. At the end of the day, he tries to make cases simple on his part, and threat them as a car accident case. Hence tells both [plaintiff, and defendant] their percentage of mistake, and ends up each one fixing his car on his own.</p> <p>the degrees of Allah is involved in all aspect of human beings even in his trade. However, that does not prohibit narrowing down the scope of Islamic legislation, [making them specific], and creating from them various majors upon which you can produce judges who can specialize in these various majors. However, the subject of always referring to Islamic scripts and Quranic Verses needs to be stopped.</p> <p>No, the public is not aware of them. They are measured on the scale of “ maintance contracts”, maintance contracts are oppressive...he has not bought a defective product, he bought some thing managed by you. How come when you miss-mange it , you hold him responsible!</p>

	<p>So your saying banks are existen to suck up certin segments of the population?</p>	<p>No, they are not hidden. These rights are existen, but their awareness programs are not tailor to our society</p> <p>With all due respect, believe it or not, it depends on the controlling family. I will</p> <p>this banking racicism is existent, and it don't consider it some sort of competition.</p> <p>Yes certin segments of the population. To be utilized by them in the Saudi stock markets and others.</p>
<p>What could you say about the effect of corporate law and company law: in terms of their origin and modification by interested parties on the nature of listed Saudi companies' compliance?</p> <p>We took our law from Egypt initially, the egyptial law is based on the French civil law</p> <p>Hence, the legislators are the politicians not the public</p> <p>Is that why the ls have not been renewed in Saudi because it is for the benfits of politicians?</p> <p>Is that the reason why the laws have t been renewed?</p>	<p>Look the origin of the law has not been modified in an educated or planned manner this is first.</p> <p>Unfortunately, the laws of the ministies of trade, investment, and banks, Saudi Monetary Agency, and Saudi Capital Market Authority are just OLD. Renew it : they want to be open to globalization and forighn investors and impose Sauditization on us : renew your me</p> <p>Yes originally</p> <p>Very true</p> <p>True</p> <p>they figured out they needed to write up a political law that suits the needs of a royal family only. It is not an issue the law coming from a republic, adeomcrates or socialisem. This is in English is considered a monarchy.</p> <p>With no doubts. The reason behind not renuing the laws is not due to comercial reason but rather political reasons. And these reason are known and not hard not to find. Because you are dealing with a difficult society [in Saudi] and 80 percent of out population are still nomads and you cant change the law based on the needs for a 20 percent of the population. He harbors the excuse that silences all of us.</p>	
<p>What could you say about the effect of the distribution of power within the law-either allowing top management to run the show or major shareholder on the nature of listed Saudi companies' compliance?</p>	<p>This is a complicated issue...First you need to appoint unions and associations. Each union and watchdog represents a segment of society like it is in England: they have labor unions, union of politicians, mechants. Those you can select some of them to chose the laws that suits them and you give it to the government to impose them.</p>	

	<p>There is no specialty</p> <p>So you are asking for an externally independent unions or associations for the owners and the CEOs to pressurize, establish and legislate hand in hand with the government?- just like the associations of CEOs in England</p> <p>But the specialized financial people do see the majority holders do have the upper hand in corporation regardless of their CEO?</p> <p>So the culture is responsible for the weakness of the existing laws in Saudi?</p> <p>Is because they care about the nature of legislations and Unions?</p>	<p>This is how it is supposed to be. But what is happening here from the Saudi parliament [house of consultation] is composed of 300- to 400 individuals. "be afraid of Allah" 300 to 400 people will never agree on a certain thing. Who are joking!</p> <p>This parliament [house of consultation] can be a filter between the king and other unions but: not to be dealt with as a union. Specially, when you have a big segment of the population considered a labor union. with their qualifications you can't upgrade them to administrative</p> <p>Yes, pressurize, and legislate with the government. Because this way firstly, you wipe out 50 percent of corruption that exists in the country, secondly, when you legislate your giving this union a commission to even wipe out another 40 percent of corruption.</p> <p>Yes, why because CEOs treat majority holders as royals even when they RE NOT."</p> <p>Not only that, yes they have both, but they imposed the law on both small and big individuals. Even the son of Dubai was punished. When he flirted with a girl, they shaved his head, scandal him in the media and forbade him from Dubai for a whole year</p> <p>Yes, why is because they hit the note that can only benefit them culturally. Especially with nomads- to you honor his reputation. Will straighten out. But if ask him to be afraid of Allah he will not straighten out. Unfortunately, they marched along this way, and it paid dividends.</p> <p>Dubai's laws but with what I have seen it could be closer to the American common law or a mix that reserves the rights of shareholders in an amazing way</p> <p>It makes you so secure.</p>
	<p>What could you say about the effect of institutional investors using their legal empowerment to influence management to increase their share values in the short run- on the nature of listed Saudi companies' compliance?</p>	<p>Look this effect between the 2 of us is not healthy is not healthy economically</p>

	<p>Is it existent? To what degree</p> <p>It looks like people haven't learnt their lesson, I personally see the corporation that the king amonth ago asked for a financial support for it was bankrupted. People bought shares in, and went bankrupted and the king supported it : so people have learnt the lesson nor asked for thri rights !so how all those oppressed recalled for their rights. Have they asked for their rights?</p> <p>Just to clarify this matter against the bank was in regard to Shares? Shares of majority holders? Because I remember a big majority holder striped the wrest out of their shares?</p> <p>Selling shares of the bank or a corporation or corporations?</p> <p>What was the outcome of those investors?</p> <p>Were those holders in the same bank</p> <p>Were they majority holders?</p> <p>So you bring us to a point here the controlling families of banks are controlling the stock market?</p> <p>Just back to the same case: agsinst the bank; it seems the owners of that specifc bank they disrupted the investors?</p>	<p>Yesit is exitent , to a degree , 10 years that degree was 90 percent, but now people have learnt.... Learned it is not normal or possible the points in the market to increase from 6000 to 21000over a week. There is a problem in legislating exuctis and unions available, and promotion of the capital market authority. Those who have certin advantages became clear ther advantages were personal gains not a commercial one.</p> <p>they have asked for their rights in places not specialed for their demands because there is not a special governmental institution can deal with this sort of matter unil now “ Augst 2014”. Until now. For example, a lawyer I know of handled a financial matter against a bank and he approached the Saudi Monetay Agnecy. They have told him we are not the specialized organization for this matter. So they replied “ with no speciality”so he approached the capital market authority and replied “with no speciality”. Then went to the court of Grievance Board and replied with n speciality. Then he wrote to the king: then, the king “ god saves his soul and enrich it “ commanded an appointment of a committee designating the specialty of the case. This committee was great but it stopped in a place</p> <p>-What happened this majority holdr gave an order to sell shares but that command was not executed by the bank for a whole week which caused him to lose more. This is the caes in short. Various corporations but shares were managing by that specific bank !why the bank has not exuted the order: why has it delayed the order, the dession Bankrupted!</p> <p>No regular investors, they investors gave an order to sell to the bank .the bank according to its regulation laws imposed by the Saudi monetary agency. Such transaction must happen on the same day. Why they delayed him for a week. If the investor good prevent 500,000 loss for a 5 million is better than to lose it all.</p> <p>Yes , they suid the bank. And the three designated governmental organizations in this matter claimed no specialty</p> <p>No. yes they control but shares are just a small portion</p> <p>Yes,</p> <p>Why not .it applies to all. Each bank has its owners and all banls are under the same legislation. Unfortunately, they do not treat all their clients the same. So who should hold them responsible? When the king asked for that committee to</p>
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	<p>Can that be generalised to al bank?</p> <p>Special committee?</p>	<p>decide the speciality. He commanded the comitee to be formed for this case only! But due to some attempts he kept the committee. Then, this committee did not study or figured how to filter cases so that they can be rightly approached to the specialized organization. Not this committee has legislated how similar cases should be trated and by which governmental organization. Then, “ like you have never conquered”</p>
	<p>What could you say about the effect of the nature of legislation of either the market supporting focus or policy implementing focus on the nature of listed Saudi companies’ compliance?</p> <p>But there is evidence that, legislating laws in Saudi does not stem from a market support focus, that committee should have legislated a law [out of the case] because the market it need such legislation in that regard. But that did not happen did not?</p> <p>Ibelive these legislations are only executed against the weak?</p>	<p>Look, here or there, you have to target both aspect. on one hand you secure the market and on the other hand you aid the market growth. You must. It has to be a mix. You can not achieve success in any project without creating a secure environment for an investor. If any investor doesn’t feel secure in such market, he will never invest.</p> <p>Yes, that did not happen.</p> <p>No, actually. They execute these legislations against the powerfull. Actullay, when the invidual is powerfull and well.integrated in the system. Then, these laws will be brought up and exucte them against him. If he was weak, they would not tire themselves bringing these laws up to execute.</p>

12.2 APPENDIX D.2: A Sample of Synthesized Interviews' Summaries

Source	Main Question	Answer
<p>A. Legal Environment</p>	<p>What could you say about the effect of the legal environment; legal rules, their enforcements and specialized courts on the nature of listed Saudi Companies' compliance with CG laws pertaining to minorities' rights</p> <p>So what I infer from you, there is not such specialized courts/</p>	<p>we borrow laws that don't suit the size of the work we have, nature of society or nature of businesses we have. Unfortunately,</p> <p>CG, it is existent as a theory. But again, the problem we have is in the execution. We are the best when it comes to legislating, but we don't know how to execute unfortunately. Hence, the laws { CG } is existent but the dilemma is in the execution. Perhaps, the dilemma we have in execution might be due to not having an "the judgment authority".</p> <p>Meaning, the commercial courts we have as we speaking about CG regarding corporations : we are speaking of company laws , so the responsible for company laws are the commercial courts and their circles. Their circles are still under the court of grievance, hence it is still under the administrative court. But they said during the coming 2 to three months these circles will be separated. However, what will happen is that they will take the commercial circles as are with all its shortcomings in its infrastructure, qualifications of judges and their assistences. As if they will separate it in their own buildings no more no less. Unfortunately, this is what will happen.</p> <p>No, there are specialized courts, but the personnel in them are incompetent. We are talking about who is responsible for executing the laws of CG in the Capital Market authority are unspecialized personnel. In addition, the judges who deal with the commercial cases are incompetent. The reason being is because the qualifications of the judges we have are not properly suitable with the nature of the specialized commercial law suits. Judges are Islamic Principles graduate and that is a must, and are legally competent to practice law. However, some one who studies historically traditional books; Amlogney, almatlob, almorbiah, how can he judge on cases he does not understand! This is what causing the delay and stretching of all commercial lawsuits in the commercial courts.</p> <p>It suffers from disability, and needs to be modernized</p> <p>The existing laws are draining people and oppressing them. there is no discipline [in enforcing the law] and you can not redeem your rights any where.</p> <p>I am not aware of such specialized courts as of yet.- there is not a worthy court capable of protecting any one.</p>

	<p>How about the specialized courts? Are they existent?</p> <p>Do you mean in the execution of the law itself, the judge is speiclaiesd in Islamic principles of the law, but not in commercilal law?</p> <p>Are the minority shareholders rights existent in the market? Are the public well aware of? and how are they legislated?</p>	<p>It suffers from lacking not in legislating new laws but in executing them.</p> <p>Unfortunately, we are in an environment where you have to knock the doors of different governmental organizations where as there should be a clear governmental organization for minority shareholders where they should voice there opinon. Hence, this governmental organization should be linking minority shareholder holders with other governmental organizations.</p> <p>This is what it should be like. Unfortunately, the rights of the small share holders not the bing once, are not beneficial,. Hence, their risk is bigger than the big shareholders due to the lack of significance given to them by the environment and the small amount of money invested by them.</p> <p>I personally view these courts are not specialized. even if you title them specialized courts: because the person holding the seat within is a person not specialized. At the end of the day, he tries to make cases simple on his part, and threat them as a car accident case. Hence tells both [plaintiff, and defendant] their percentage of mistake, and ends up each one fixing his car on his own.</p> <p>the degrees of Allah is involved in all aspect of human beings even in his trade. However, that does not prohibit narrowing down the scope of Islamic legislation, [making them specific], and creating from them various majors upon which you can produce judges who can specialize in these various majors. However, the subject of always referring to Islamic scripts and Quranic Verses needs to be stopped.</p> <p>No, the public is not aware of them. They are measured on the scale of “ maintance contracts”, maintance contracts are oppressive....he has not bought a defective product, he bought some thing managed by you. How come when you miss-mange it , you hold him responsible!</p> <p>No, they are not hidden. These rights are existen, but their awareness programs are not tailor to our society</p>
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	<p>So your saying banks are existen to suck up certin segments of the population?</p>	<p>With all due respect, believe it or not, it depends on the controlling family. I will</p> <p>this banking racicism is existent, and it don't consider it some sort of competition.</p> <p>Yes certin segments of the population. To be utilized by them in the Saudi stock markets and others.</p>
	<p>What could you say about the effect of corporate law and company law: in terms of their origin and modification by interested parties on the nature of listed Saudi companies' complian</p> <p>We took our law from Egypt initially, the egyptial law is based on the French civil law</p> <p>Hence, the legislators are the politicians not the public</p> <p>Is that why the ls have not been renewed in Saudi because it is for the benefits of politicians?</p>	<p>The origin of the law here is Saudi Arabia was " Copy Paste" from Egypt in the 60'swe have gone through som many phases of " copying and Pasting law" it has all started from in the 60's.</p> <p>Actually, we imported experts from Egypt, what did they do? The brought their laws as are , they have changed the title forom the united republic of Egypt, to the Kingdom of Saudi Arabia. They have changed the currency from Egyptian Pound to Saudi ryal. This is the truth .</p> <p>So now, the weakness of the lawor because the law is so baagy, it opend a dimation for playing as opposed to have a solid court law.</p> <p>NAATheir origin is Saudi Arabia, they are issued by a royal decree from the top- hence, these degrees were not carfully considered on many dimentsions.</p> <p>They interest groups are the powerful and the biggest and closest to the decision maker. Laws in Saudi Arabia are not legislated.</p> <p>powerfull people in the country. Those are the once who have an opinion.</p> <p>Look the origin of the law has not been modified in an educated or planned manner this is first.</p> <p>Unfortunately, the laws of the ministies of trade, investment, and banks, Saudi Monetary Agency, and Saudi Capital Market Authority are just OLD. Renew it : they want to be open to globalization and forighn investors and impose Sauditization on us : renew your me</p> <p>Yes originally</p> <p>Very true</p> <p>True</p> <p>they figured out they needed to write up a political law that</p>

	<p>Is that the reason why the laws have t been renewed?</p>	<p>suits the needs of a royal family only. It is not an issue the law coming from a republic, adeomcrates or socialisem. This is in English is considered a monarchy.</p> <p>With no doubts. The reason behind not renewing the laws is not due to comercial reason but rather political reasons. And these reason are known and not hard not to find. Because you are dealing with a difficult society [in Saudi] and 80 percent of out population are still nomads and you cant change the law based on the needs for a 20 percent of the population. He harbors the excuse that silences all of us.</p>
	<p>What could you say about the effect of the distribution of power within the law-either allowing top management to run the show or major shareholder on the nature of listed Saudi companies' compliance?</p> <p>So what I understand from you is the CG law that are existent are worthless to the degree that any one can influence the daily running of the company either a CEO or an owner?</p> <p>True, this iwhy I have titled my research , “ the effect of the Saudi Culture on natue of CG” even though must people just take it on the legal aspect even though I agree with you fully.</p>	<p>Look logic behind the CG is to seprate the administration from the ownership. So this way you have intervned with one of the main principles of CG. This is a window for corruption, I have seen this with my own eyes. There is some one who owns 17 % in this listed company, this guy has an influence on the running of the every day aspect of the company. Hence, I see this is wrong and the law should be a sword on all heads. And you as shareholder don't have a role except in the General meeting no more no less.</p> <p>Referring again to the nature of our society, the nature of our society, let be logical, the manager know this person who ownes 20% if he does not oby to his desires , he will not elect him for renewal. Hence, this person with 20% he can bring anoer owner of 20% r more, and kick this person [manager] out. So w are getting back to, please don't seprate the nature of society in your research. When you deal with any lawfull issue or policitcla or social,</p> <p>Fanatastic, yes, yes yes, another thing, be cautions , the theory always differs from practices especially here. For example, if you go to any coporation where you know some people, you will find ashareholder regardless of hier size, he will have an employee of his appointed in this corporation. And other spyies within that update him on every thing. It is a betrayl to thei loyalty but this is what is happeneing. Not to mention, he he can lift up a phone on GM or CEO and blow it in his phase: you have done this and that .this is my money and father's money. This is happening all the time. Back again , you cant seprate the culture from the daily life!</p> <p>NAA The major shareholders. I think they are the most powerfull.</p> <p>. Hece, [ceo's] are executing whatever comes from the top.</p> <p>This is a complicated issue...First you need to appoint unions and associations. Each union and watchdog represents a segment of society like it is in England: they</p>

	<p>There is no specialty</p> <p>So you are asking for an externally independent unions or associations for the owners and the CEOs to pressurize, establish and legislate hand in hand with the government?- just like the associations of CEOs in England</p> <p>But the specialized financial people do see the majority holders do have the upper hand in corporation regardless of their CEO?</p> <p>So the culture is responsible for the weakness of the existing laws in Saudi?</p> <p>Is because they care about the nature of legislations and Unions?</p>	<p>have labor unions, union of politicians, merchants. Those you can select some of them to choose the laws that suits them and you give it to the government to impose them.</p> <p>This is how it is supposed to be. But what is happening here from the Saudi parliament [house of consultation] is composed of 300- to 400 individuals. "be afraid of Allah" 300 to 400 people will never agree on a certain thing. Who are joking!</p> <p>This parliament [house of consultation] can be a filter between the king and other unions but: not to be dealt with as a union. Specially, when you have a big segment of the population considered a labor union. with their qualifications you can't upgrade them to administrative</p> <p>Yes, pressurize, and legislate with the government. Because this way firstly, you wipe out 50 percent of corruption that exists in the country, secondally, when you legislate your giving this union a commission to even wipe out another 40 percent of corruption.</p> <p>Yes, why because CEOs treat majority holders as royals even when they RE NOT."</p> <p>Not only that, yes they have both, but they imposed the law on both small and big individuals. Even the son of Dubai was punished. When he flirted with a girl, they shaved his head, scandal him in the media and forbid him from Dubai for a whole year</p> <p>Yes, why is because they hit the note that can only benefit them culturally. Especially with nomads- to protect his reputation. Will straighten out. But if ask him to be afraid of Allah he will not straighten out. Unfortunately, they marched along this way, and it paid dividends.</p> <p>Dubai's laws but with what I have seen it could be closer to the American common law or a mix that reserve the rights of shareholders in an amazing way</p> <p>It makes you so secure.</p>
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12.3 APPENDIX D.3: A Sample of Exchanged Emails between Hofstede & Researcher

Van: Alfordy, Faisal [<mailto:FaisalAlfordy@connect.glos.ac.uk>]

Verzonden: donderdag 12 maart 2015 13:59

Aan: hofstede@bart.nl

CC: Bob Ryan

Onderwerp: Inquiry about using your Paradigm in Corporate Governance

Dear Professor. **Hofstede**

My name is Faisal Alfordy, a current PhD student conducting "***An Assessment of the Impact of Saudi Arabia Culture on Corporate Governance on Minority Shareholders' Rights***"

I have been inspired by the evolution of your work incorporating your Paradigm of Cultural *Value Dimensions* (CVD) in assessing the level of Corporate Governance (CG) compliance in developing countries such as my own -Saudi Arabia.

The questionnaire, i have used in my study, was constructed using variables composing the minority shareholder's protection index found in the OECD principles of CG and corresponding to other indices aimed at measuring the strength of minority shareholder's protection such as la Porta et al's Anti-director rights Index (1997, 1998, 2006) and the Index of Self Dealing by Djankov et al. (2008). The elements of the constructed index are: Transparency, Disclosure, Directors' compensation, basic shareholders rights, equitable treatment of shareholders rights, and basic shareholders rights corresponding to future rewards in terms of profits. Moreover, each variable of the questionnaire was assigned to the applicable CV dimension in accordance with your criteria (Hofstede, 2001).

I have reached similar results to yours as indicated on your website pertaining to Saudi Arabia's CVDs except for ***Individualism***:

	<i>Individualism</i>	<i>Power Distance</i>	<i>Uncertainty Avoidance</i>	<i>Masculinity/Femininity</i>	<i>Long Term Orientation</i>
Your Results	25	95	80	60	32
My Results	51.2	80.1	79.8	55.7	30

Hence, I would appreciate your opinion on some theoretically provoked questions if I may:

1. Does the level of *Individualism* increase in a person when his/ her money is involved in such a transaction as opposed to when there is no personal- tangible property is involved?
2. Do you speculate the use of "Transactional Approach to Culture (Patel and Rayner, 2012)" might enrich your paradigm in explaining the effect of sub-cultures on CG compliance? Statistically, the only significant CVD driven correlations were found between Majority shareholders (*Active culture*) and minorities' (*Passive culture*) as my analysis indicated.
3. Do you regard Berle and Means (1932) prediction that all large public corporations will be maturing to a capital structure that is highly characterized by the separation of ownership and control to, **STILL**, be held valid assuming different cultural dynamics found worldwide?
4. Do you envision the effect of "Modernization" as Karl Marx proposed leading to the convergence of values with economic developments, to be responsible for potential change in the numeric measurements of your CVD (*assuming effects of Media and Globalization are inevitable in the process*)?

Kind Regards

Faisal Alfordy

From: Hofstede <hofstede@bart.nl>

Sent: 12 March 2015 16:44

To: Alfordy, Faisal

Subject: RE: Inquiry about using your Paradigm in Corporate Governance

Dear Mr Alfordy, here are my answers to your questions:

1. My concept of "individualism" applies only to national cultures, not to individuals. See my warnings against confusing levels of analysis. At the national level, individualism increases with per capita national wealth.
2. Unfortunately I am not familiar with this subject, and presently my priorities lie elsewhere.
3. No, I think they underestimated the tenacity of cultural variety across

the world.

4. No, I have followed value differences for almost half a century, and I did not see convergence.

See also www.geerthofstede.eu .

Yours, Geert Hofstede

Van: Alfordy, Faisal [<mailto:FaisalAlfordy@connect.glos.ac.uk>]

Verzonden: maandag 16 maart 2015 15:09

Aan: Hofstede

Onderwerp: Re: Inquiry about using your Paradigm in Corporate Governance

Dear Professor. Hofstede

Thank you very much indeed for your prompt reply and valuable intakes. I have taken the time to reflect on your answers to understand their implications in the area of Corporate Governance.

Based on your scholarly knowledge and distinguished expertise that cultural traits are persistent as also noted in the work of Max Weber with the exception that your view is more economically inviting to cultural shifts.

I would highly appreciate your comments on the following questions:

Firstly: For Corporate governance (CG) researchers such as myself seeking to enhance the level of compliance while considering the cultural effects:

1. Shall we implement "more culturally oriented CG policies and monitoring mechanisms on the local level" so that we could lessen the exercises of negative cultural traits on compliance? What else do you recommend for us?

Secondly: considering your warnings against confusing levels of analysis, when I attempted to major the Saudi *Cultural Value Dimensions*, I split my data for further statistical analysis on groups to strengthen my findings. The descriptive statistics showed an anomaly only between the groups of Majority and Minority shareholders. Hence, I performed further tests and found the distribution of each CV dimension, except for individualism, was not the same when comparing the groups of Majority with Minority shareholders. Hence, significant correlations emerged. The non-parametric test of *Kruskal-Wallis and Man U Whitney* showed

that Minority shareholders scored 50 % higher on average on *Power Distance, Uncertainty Avoidance, and Femininity* dimensions compared to Majority shareholders.

Hence, is this what you referred to as the "exceptions to the rule of cultural shift" as it is due to the levels of wealth and education increasing very rapidly?

2. What do you speculate causing the difference of CVD profiles between majority and minority shareholders?

Lastly, I want to thank you once again for taking the time to go over these major concerns of mine and I will be enthusiastically looking forward to receiving your valuable answers.

Kind Regards

Faisal Alfordy

From: Hofstede <hofstede@bart.nl>

Date: March 18, 2015 at 10:07:08 AM GMT

To: "Alfordy, Faisal" <FaisalAlfordy@connect.glos.ac.uk>

Subject:RE: Inquiry about using your Paradigm in Corporate Governance

Dear Mr Alfordy, these national dimensions do not apply to groups like minority and majority shareholders. The data you refer to cannot be interpreted by these dimensions. The dimensions approach belongs to organizational anthropology, whereas your study belongs to organizational sociology. Doesn't the literature you studied offer alternative sources of inspiration? Yours, Geert Hofstede

12.4 APPENDIX D.4: A Sample of Researcher's Emails to Potential Participants: Saudi Governmental Organizations

Faisal Dhifallah Alfordy

Mon, Jun 23, 2014 at 9:53 PM

<f.alfordy@uoh.edu.sa>

To: info@cma.org.sa

Cc: "fdf3000@gmail.com" <fdf3000@gmail.com>

[Reply](#) | [Reply to all](#) | [Forward](#) | [Print](#) | [Delete](#) | [Show original](#)

السلام عليكم ورحمة الله وبركاته

انا فيصل بن ضيف الله بن حماد الفريدي : عضو هيئة تدريس في جامعة حائل و حاليا اقوم بأعداد رسالة الدكتوراة في " التأثير الثقافي على حوكمة الشركات وحقوق صغار المساهمين في المملكة العربية السعودية " في بريطانيا

الغرض من مخاطبة هيئة سوق المال السعودية هي إتاحة الفرصه لي للإجراء بعض المقابلات مع ذوي التخصص فيما يتعلق بوضع و بلأضافة الى ذلك يهدف البحث .متابعة قوانين حوكمة الشركات في المملكة العربية السعودية بما يخص حقوق صغار المساهمين ال قياس التأثير الثقافي على طبيعة حوكمة الشركات بما يتعلق بحقوق صغار المساهمين عن طريق نموذج أستبيان يستهدف صغار المساهمين للإجابة عليه.

1436 هجري بما 2/ 1435 هجري ال 8 /11/ لذلك ارجو من هيئة سوق المال اعطائي الموافقة للقيام بجمع المعلومات من تاريخ 6 يتوافق مع خطتي البحثية لرفعها للملحقة الثقافية السعودية ببريطانيا

ولكم جزيل الشكر والأمتنان

Faisal Bin Hamad

Fri, Aug 22, 2014 at 5:34 PM

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السلام عليكم ورحمة الله وبركاته

انا فيصل بن ضيف الله بن حماد الفريدي : عضو هيئة تدريس في جامعة حائل و حاليا اقوم بأعداد رسالة الدكتوراة في " التأثير الثقافي على حوكمة الشركات وحقوق صغار المساهمين في المملكة العربية السعودية " في بريطانيا

الغرض من مخاطبة هيئة سوق المال السعودية هي إتاحة الفرصه لي للإجراء بعض

المقابلات مع ذوي التخصص فيما يتعلق بوضع و متابعة قوانين حوكمة الشركات في المملكة العربية السعودية بما يخص حقوق صغار المساهمين

بالأضافة الى ذلك قد سبق وان قابلة مدير إدارة حوكمة الشركات الخاصة الأستاذ الوليد السناني يوم الأربعاء الموافق 17 شوال 1436 بمكتبة بهيئة سوق المال وقد دار بيننا نقاش حول بحثي العلمي من الساعة 12 ظهر الى الساعة الواحدة ظهر . وكان النقاش مع الأستاذ الوليد السناني جدن بناء

لذلك ارجو من هيئة سوق المال اعطائي الموافقة الرسمية للقيام بأجراء بعض 2 / المقابلات مع منسوبيها من ذوي التخصص من تاريخ 1435 /11/6 هجري ال 8 هجري بما يتوافق مع خطتي البحثية لرفعها للملحقة الثقافية 1436 / السعودية ببريطانيا

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السلام عليكم ورحمة الله وبركاته

انا فيصل بن ضيف الله بن حماد الفريدي : عضو هيئة تدريس في جامعة حائل و حاليا اقوم بأعداد رسالة الدكتوراة في " التأثير الثقافي على حوكمة الشركات وحقوق صغار المساهمين في المملكة العربية السعودية " في بريطانيا

الغرض من مخاطبة وزارة المالية السعودية هي إتاحة الفرصه لي للإجراء بعض المقابلات مع ذوي التخصص فيما يتعلق بوضع و متابعة قوانين حوكمة الشركات في المملكة العربية السعودية بما يخص حقوق صغار المساهمين

لمقابلة 1436 وقد سبق وان زرت فرع الوزارة بالرياض يوم الخميس 18 شوال بعض المسؤولين من ذوي التخصص ولاكن لم يسمح الأخوان بالاستقبال بذلك و طلبو مني التواصل عن طريق الهاتف أو البريد الإلكتروني

لذلك ارجو من وزارة المالية السعودية اعطائي الموافقة للقيام بأجراء بعض المقابلات مع منسوبيها من ذوي التخصص من تاريخ 1435 /11/6 هجري ال 8 / 2 هجري بما يتوافق مع خطتي البحثية لرفعها للملحقة الثقافية 1436 / السعودية ببريطانيا

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لسلام عليكم ورحمة الله وبركاته

انا فيصل بن ضيف الله بن حماد الفريدي : عضو هيئة تدريس في جامعة حائل و
حاليين اقوم بأعداد رسالة الدكتوراة في " التأثير الثقافي على حوكمة
الشركات وحقوق صغار المساهمين في المملكة العربية السعودية " في بريطانيا

الغرض من مخاطبة الهيئة السعودية للمحاسبين القانونيين هي إتاحة الفرصه لي
للإجراء بعض المقابلات مع ذوي التخصص فيما يتعلق بوضع و متابعة قوانين
حوكمة الشركات في المملكة العربية السعودية بما يخص حقوق صغار
المساهمين

لذلك ارجو من الهيئة السعودية للمحاسبين القانونيين اعطائي الموافقة
/للقيام بأجراء بعض المقابلات مع منسوبيها من ذوي التخصص من تاريخ 11/6
هجري ال 8 / 2 / 1436 هجري بما يتوافق مع خطتي البحثية لرفعها 1435
للملحقة الثقافية السعودية ببريطانيا

ولكم جزيل الشكر والأمتنان

Hubs:

- 1- General organization for Social Insurance = 32 connections with 32 nodes
- 2- Public Pension funds = 19 connections with 19 nodes
- 3- Public Investment funds = 18 connections with 18 nodes.

These three hubs' connections account for 42 % of integration with listed corporations in the Saudi Stock Exchange.

Implications: the governmental contractual intervention is highly significant in the Market. However, the level of intervention is found to be concentrated in: the bank, petrochemicals, cement, Insurance sectors. Consequently, the intervention level scatters and fades out over the other sectors.

Industrial nodes***Banks:***

The most significant node found is Alrajhi bank which connects to 14 nodes. Then, the number decreases hugely to 4 nodes for Alinma, and Saudi Investment banks. 3 connections found for another two banks, Riyadh, and Arab national bank. Interestingly, the rest of the banks hold two connections with nodes.

Petrochemical:

SABIC is held as the most highly connected node with seven connections. Four other petrochemical listed corporations found to have only two connections with 2 nodes. The rest, nine listed corporations do equal zero connection.

Cement:

Four companies, namely: Qassim, yammamah, Yanbou, and EPCC hold tree connections with nodes. Three other listed corporations hold two connections. Two other listed account for only 1 connection. And four listed hold only zero connections

Insurance:

Only two listed count for 2 connections. Seven other listed account for only one connection. Significantly, 24 listed corporations equalling zero connection

Building and Real Estate:

Only one listed found to account for 3 connections with nodes. Five listed account for only 1 connection. Significantly, 17 listed equalling zero connection.

Industrial Investment and Multi-investment:

Only one listed holds 3 connections with nodes. Two other listed hold only 1 connection. 18 listed account for zero connection.

Agriculture and Food:

Only one listed has 2 connections with nodes. Four other listed account for only 1 connection. Significantly, the majority 12 listed account for zero nodes.

Energy:

Only one company holds 2 connections with nodes. Other 3 hold zero connection

Retail:

Two listed account for only 1 connection. And other ten have zero connection.

Telecommunication:

Only one listed holds 3 connections with nodes whereas the other 2 account for only 1 connection. Two other listed account for zero

Transportation:

Only two listed account for 1 connection. The other two have zero connection

Media:

Only one listed account for 2 connections and other two listed have zero connection

Hotel and Tourism:

One listed account for 2 connections. Other two hold zero connection.

Share Market Indicators for last 13 years

End of Period	Number of Companies	Number of Shares Traded	Value of Shares Traded	Market Value of Shares	Number of Transactions	General Index
2001	64	692	83,602	275	605,035	2,430.11
2002	68	1,736	133,787	281	1,033,669	2,518.08
2003	70	5,566	596,510	590	3,763,403	4,437.58
2004	73	10,298	1,773,858	1,149	13,319,523	8,206.23
2005	77	12,281	4,138,695	2,438	46,607,951	16,712.64
2006	86	68,515	5,261,851	1,226	96,095,920	7,933.29
2007	111	57,829	2,557,712	1,946	65,665,500	11,038.66
2008	117	58,727	1,962,945	925	52,135,929	4,802.99
2009	144	56,685	1,264,012	1,196	36,458,326	6,121.76
2010	145	33.01 billion	759.18 billion		19.54 million	
2011	150	48.26 billion	1,098.84		25.55 mil	
2012	161	82.54 billion	1,929.32		42.11 mil	

Over the last few years, Saudi listed companies increased dramatically from 81 companies in 2005 to 144 in 2010 (Saudi Stock Exchange Law, 2009). Nowadays, there are 161 more listed companies distributed among different industries in the Saudi market with various percentages of ownership.

Implication: ease of incorporation, lax of governance, Significance of liquidation at the expense of private benefits through IPO's under the assumption that weak regulation in the market. Therefore, the Result is the existence of under developed market.

Moreover, the 2006 and 2008 market crisis in Saudi Arabia revealed serious weaknesses in financial reporting, namely a lack of transparency, disclosure, and accountability.

14. APPENDIX F: Personal Reflection

Personal Reflection

Doing a PhD on the “Impact of Saudi Culture on Minority shareholders’ rights” has led me to realise the significance of the voyage of discovery I was embarking on to find answers to my research questions.

As a matter of fact, before undertaking this journey, I was not able to properly appreciate the issue of Saudi Minority shareholders as, I came to realise, I was not properly equipped as a researcher to utilise the different research methods necessary to undergo such a challenge.

Nevertheless, this journey has taught me how to utilise the secondary data available such as research articles, journals, textbooks, periodicals etc. related to my research questions. In addition, I have learned how to prioritise the secondary data available in accordance with a set of important criteria such as available scholars, in relevant disciplines, credentials, dates of publications, credentials of publishers etc. The development of this skill had considerable benefits in terms of time-saving and increasing the level of validity and reliability of secondary data used.

Moreover, this journey has equipped me with the necessary skills to gather valuable primary data and analyse it in a proper manner. In fact, opting for a mixed research strategy has enabled me to appreciate the depth and breadth of the issues I was exploring. In addition, the advantages and disadvantages associated with primary data collection methods were explored in depth before opting for a selection of a certain choice, such as type of questionnaire or interview, focus groups, observations etc. Most importantly, I was able to appreciate and understand the importance of a proper sampling segment in general and the choice of the most suitable sampling method in particular during the process.

In addition, this research process required extensive thinking, planning, communication with assigned supervisors and preparation for each stage. Hence, each stage of this research study was accordingly conducted in an organised manner from a time-management perspective. Moreover, the level of self-confidence gained from undertaking this research study will be a major asset for me in the future as an academic researcher and as a businessman involved in a highly competitive marketplace.

In summary, without a doubt, doing a PhD is definitely a first class voyage of discovery, as it has been for me. It has enlightened me, via both secondary and primary data, of the significant cultural, legal, and political factors influencing the quality of the exercise of Saudi Minority shareholders’ rights and the level of compliance of listed Saudi corporations. Therefore, it was profoundly rewarding to undertake this journey, and quite tempting to embark on another research journey as soon as I get back to my academic life.