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RIYADH, KINGDOM OF SAUDI ARABIA

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Keeping Investors Informed through Adequate Financial Risks Disclosure: Do Governance Mechanisms Matter in Developing Economies?

By

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The term risk is widely used in business decision making and it relates to uncertainty in successful accomplishment of activities undertaken. Firms face a number of risks that affect the economic decisions of investors. However, because these risks are not known to investors, management take decisions that only maximise their own objectives. This underlines the importance of corporate governance mechanisms to influence the amount of risks disclosed by firms. Accordingly, this study examines the association between corporate governance mechanisms and financial risk disclosure within the Nigerian context and second, discusses the policy implications of the findings on Saudi Arabia's business transformation agenda. Guided by the agency theory, data was collected via the annual reports of listed Nigerian banks and analysed using multiple regression models. The results suggest that board size, managerial ownership, institutional ownership, government ownership audit committee independence, and audit committee expertise impact positively on the amount and quality of risk disclosed by firms. On the other hand, board independence, board diversity and audit committee size have negative relationship. These findings provide useful guide for policy shifts pertaining to corporate governance across the developing world. It is particularly useful for Saudi Arabia because Nigeria have a lot of characteristics in common with Saudi Arabia. As both countries are moving away from oil based economy to knowledge based economy, the findings could be of help for the Saudi government to re-strategies and position itself to successfully achieve its business transformation as enshrined in the country's Vision 2030.

Keywords: Financial, risk, disclosure, governance, mechanisms, investors, developing, economies

IJL Classifications: D81; D84; G11; G18

1. Introduction

The financial crisis of the last decade has, to a greater extend, eroded the trust stakeholders have on financial reports. This has led to the demand for increase in the disclosure of risks faced by companies (Ntim et al, 2013). The term risk is widely used in business, insurance, trade and decision making and has an element of both accidental and beneficial result (Wharton, 2009). Risk is generally related to lack of certainty in successful execution of activities undertaken. Risk is understood differently and this led to various definition of the term. For example, Willett (1951:6) defined risk as "objectified uncertainty regarding the occurrence of an undesirable event." However, in the words of Ehrlich, 1981:456) risk is the "possibility of failure to obtain the desired business effects, incurring unintended losses or expenses higher than expected." Firms face variety of risks in the course of carrying out their businesses. Because these risks affect the economic decisions of users, regulatory bodies across the globe require that such risks be disclosed.

Risk disclosure could either be mandatory or voluntary (Popova et al, 2006) and is described as firm's main risks and their expected economic impacts on future performance (Linsley and Shrives, 2006). More specifically, risk disclosure is described by Jorgensen and Kirschenheiter (2003) as the "communication of information concerning a firm's strategies, operations and other external factors that do have the potential to affect its expected results, the disclosure of the firm specific variances of future cash flows." Risk disclosure allows the investors to understand not only the overall performance of management but also gives them an insight into the future prospects of the company. Better risks disclosure reduces the incidence of information disequilibrium and fosters enhanced corporate transparency (Elshandidy and Shrives, 2016). However, because of the separation of ownership from control, which places the management at information advantage over the investors ((Rachagan and Satkunasingam, 2009), they decide on the amount, quality and timing of risks related information to disclose. This underscores the importance of a sound corporate governance mechanisms to enable the owners to exercise control over the executives and also to align their interests with that of the executives (Fama and Jensen, 1983).

Triggered by the inability of firms in disclosing sufficient information related to risk they faced (Solomon et al., 2000; Linsley and Shrives, 2005), a number of studies connecting corporate governance mechanisms with risk disclosure were conducted (e.g. Linsmeier et al., 2002; Beretta and Bozzolan, 2004; Lajili and Zeghal, 2005; Beasley et al., 2005; Linsley and Shrives, 2006; Konishi and Mohobbot, 2007; Deumes and Knechel, 2008; Cabedo and Tirado, 2009; Amran et al., 2009; Taylor et al., 2010; Oliveira et al., 2011; Dobler et al., 2011; Mousa and Elamir, 2013; Dominguez and Gomez, 2014; Elshandidy and Neri (2015). All of these studies revealed that risk disclosure is impacted by corporate governance mechanisms. For example, Taylor et al (2010), have found that firms with good governance tend to be highly effective in the management and disclosure of risks. Similarly, Elshandidy and Neri (2015) discovered that strongly governed companies are more likely to disclose reasonable risk than weak companies. Specifically, the literature has revealed that Board size (Allegrini and Greco, 2013), Board activity (Banghoj and Plenborg, 2008), Non-executive directors (Abraham and Cox, 2007), Managerial ownership (Oliveira et al, 2011), CEO Duality (Al-Janadi et al, 2013), Audit committee (Greco, 2011), among others, have impact on risks disclosed in terms of amount and quality.

The aim of this study is twofold. First to examine the effect of corporate governance mechanisms on financial risk disclosure within the Nigerian context and second, discusses the policy implication of the findings of the study on developing economies particularly Saudi Arabia. The rest of the paper is divided into six sections. The section that follows presents the theories and review of literature. Section three presents a discussion of the control variables while section four gives the research method employed. Section six presents the policy implication of the findings on Saudi's business transformation agenda. Section seven concludes the study.

2. Theoretical framework and Literature review

There are many theories that justify studies connecting corporate governance mechanisms and risk disclosure (e.g. stakeholder's theory, signalling theory, and agency theory, legitimacy theory, and institutional theory, among others). However, this study is guided by the agency and the signalling theories for two main reasons. First, a combined use of disclosure theories is helpful in explaining an event as one of the theories will be complimenting rather than computing with the other theory (Carpenter and Feroz, 1992). Second, the two theories are consistent with each other. Thus, the combination of the two theories, as Morris (1987) noted, could lead to better prediction of more disclosure of accounting information.

The agency theory concerns with the study of the problems associated with delegation of power between the principal and the agent whose interests are incompatible. The principal's delegation of power to the agent is often forced by lack of knowledge, skills or abilities to carry out the work himself (Linder and Foss, 2013). However, such delegation may give rise to information asymmetry. The agency theory suggests that in order to reduce the agency problems, management has to perform in the greatest interests of the investors by disclosing information that will assists the investors to take informed economic decisions (Healy and Palepu, 2001). Thus, in order to reduce the information disequilibrium and to keep the investors informed, the management must disclose risks related information that is relevant and adequate. This informed the choice of the agency theory.

The signaling theory, on the other hand, assumes that firms that are efficient provide relevant and reliable information to the market than firms that are less efficient. In order words, the signaling theory explains management incentives to disclose more information in financial reports (Haniffa and Cooke, 2002). Management disclose sufficient information in the financial statements as a way of sending signal to both existing and potential users. This kind of information, Hughes (1986) noted, is credible as it can be verified and, if found to be fraudulent, the management will be punished. Thus, Morris (1987) posit that the signaling theory is suitable for addressing the problem of information differential. Since management has more knowledge of the firm than the investors, signaling to the investors will go a long way in reducing asymmetries of information. However, because of conflict of interests between the management and the investors, management give more weight to the signal they send to the market. This questions the reliability of the information signaled.

2.2 Hypothesis development

Based on the extant studies on the connection between corporate governance mechanisms and risk disclosure, the following paragraphs discuss the impact of corporate governance mechanisms on risk disclosure, and on the basis of which this study's hypotheses are developed.

Board size

Board size is argued as a vital element in the determination of the effectiveness of board of directors. This argument is in agreement with the assumptions of the agency theory (Darussamin et al, 2018). However, empirical studies on board size have revealed mixed results. For example, Healy and Palepu (2001) found that larger board size is effective for monitoring and controlling of firm's activities which is vital for improving the amount of risk to be disclosed. Similarly, Chen and Jaggi (2000) found that a larger board size is more likely to mitigate the information asymmetry problem and hence more corporate risk disclosure. On the other hand, Allegrini and Greco (2013) found that the larger the size of the board, the less efficient the board would be in monitoring the activities of the management which leads to less disclosure of corporate risk. Other studies, including Cheng and Courtenay (2006) and Coles et al (2008), found that between board size and risk disclosure have no connection. Based on this discussion, this study hypothesis as follows:

H_1*: There is a positive relationship between board size and the extent of financial risk disclosure*

Board independence

The presence of independent directors on the board is significant in reducing information disequilibrium problem and also in the improvement of the quality of financial reporting. This is based on the premise that independent directors, who are more sensitive to shareholders' information request (Garcia-Sanchez et al., 2011), are people that have proven professional integrity and have neither management role nor ownership tie with the company. This assumption is empirically supported by Abraham and Cox (2007) and Oliveira et al (2011) who found that boards with larger number of independent directors significantly improve the level of risk disclosure. However, Lopes and Rodrigues (2007), on the contrary, found no connection between the presence of majority independent directors and extend of risk disclosure. Still further, Allini et al (2014) found no significant association between the presence of independent directors and risk disclosure. Accordingly, the study hypothesis as follows:

H_2: *There is a positive relationship between board independence and the extent of financial risk disclosure*

Board diversity

It is imperative that every firm should consider the level of its board's diversity in terms of the skills and demographics such as age, gender, ethnicity, nationality, and education, among others. This is because diverse board is argued to be more effective in putting pressure on management to use greater risk disclosure strategies (Ntim et al, 2013). Although, evidence concerning the connection between board diversity and disclosure of risk is limited (Allini et al, 2016), the extant literature suggests a mixed result. For example, Ntim et al (2013), while investigating the level of disclosure in South Africa, found a positive connection between board diversity and disclosure of risk. On the contrary, Allini et al (2014) found a negative association between board diversity and risk disclosure amongst listed government-owned companies in Italy. Accordingly, this study hypothesis as follows:

H_3: *There is a positive relationship between board diversity and the extent of financial risk disclosure*

Managerial ownership

Management is an independent body saddled with the responsibility of running the affairs of a company in the best interest of the owners. One of such responsibilities is the disclosure of the risks the company face. However, because of the separation of ownership from control, management is at information advantage relative to the investors and this makes them to take decisions that only maximise their own objectives (Leung & Horwitz, 2004). With a proportion of the company's equity being owned by the managers, this problem of information asymmetry can be reduced (Jensen and Meckling, 1976). While there are a lot of studies on the relationship between managerial ownership and disclosure generally (Nagar et al, 2003; Leung & Horwitz, 2004; Huafang and Jianguo, 2007; Sepasi et al, 2016), literature on connection between managerial ownership and risk disclosure is scanty. For example, Oliveira et al. (2011) reported managerial ownership is positively related to risk disclosure. Deumes and Knechel (2008) found a negative relationship between managerial ownership and the level of risk disclosure. Similarly, Alkurdi et al. (2019) found a negative association between managerial ownership and risk disclosure. Thus, this study hypothesis as follows

H_4: *There is a positive relationship between managerial ownership and the extent of financial risk disclosure*

Institutional ownership

This class of investors are arguably the most sensitive investors to information disclosure. They perform a vital role in ensuring that the financial statements are of high quality and firm's performance are improved. Scholars have argued that the higher the proportion of institutional investors, the lower the information disequilibrium between the management and investors (Diamond and Verrecchia, 1991; Shleifer and Vishny,1986). Other scholars have reasoned that too much concentration of ownership in the hands of few is likely to create adverse effects (Yalden, 1996; Ryan and Schneider, 2003). Nevertheless, studies on the relationship between institutional investors and risk disclosure have revealed a mixed result. For example, Rosnadzirah, and Rashidah (2011) found that institutional investors are more positively related to risk disclosure than board of directors. Similarly, Taylor et al (2008) have found that pressure from institutional investors have led to improvement in the disclosure of financial risk. On the other hand, Bushee and Noe (2000) found no relationship between institutional investors and amount of risk disclosure. Furthermore, Solomon et al (2000) found that institutional investors hold modest view regarding the desire for risk disclosure. On the basis of these findings, this study hypothesis as follows.

> H_5: *There is a positive relationship between institutional ownership and the extent of financial risk disclosure*

Governmental ownership

Sequel to the difference in interests between the government and the management, conflict is bound to occur where government is part owner of the firm. While the government is interested in the welfare of the nation and its people, management is interested in profit maximisation. Consistent with the shareholder's theory, the government, being the most powerful shareholder, may exert pressure on the management to release useful information to assist investors in taking informed decisions. Studies on the connection between government ownership and risk disclosure is very few. However, most of the few studies revealed positive results. For example, Ntim et al (2013) conducted a study on South Africa and found a positive association between government ownership and risk disclosure. Similarly, Seta et al (2017) also found a positive relationship between government ownership and risk disclosure in Indonesia. Also, Barakat, and Hussainey (2013) found that government ownership has a positive relationship with operational risk disclosure amongst European banks. Accordingly, this study hypothesis as follows.

> H_6: *There is a positive relationship between government ownership and the extent of financial risk disclosure*

Audit committee size

The influence of audit committee size on the amount of information disclose in financial statements in well debated. On one hand, some scholars argued that a larger audit committee has the potential of improving the status and powers of the committee within the company and by extension the quality of audit (Kalbers and Fogarty, 1993). In the same vein, the presence of large audit committee, Zaman et al (2011) noted, is likely to uncover, through knowledge exchange, potential problems that might affect the effectiveness of the monitoring function of the committee. Similarly, Chen and Jaggi (2000) posit that a larger audit committee size could reduce the problem of information asymmetry and enhance more disclosure. However, empirical research howed a mixed result. For instance, while Barako et al (2006) found the existence of positive association between audit committee size and corporate risk disclosure, Al-Maghzom et al (2016) found no relationship. On this basis, the following hypothesis is developed

> H_7: *There is a positive relationship between audit committee size and the extent of financial risk disclosure*

Audit committee independence

An audit committee with a higher level of independence is more likely it acts in the best interests of the investors (Zhang et el, 2013). The implication of this assertion is that the quality of financial reporting is preserved (Collier, 1993) and its reliability upheld (McMullen, 1996). An independent audit committee is likely to effectively perform its role of ensuring that risks faced by the company are contained. Just like other characteristics of the audit committee, empirical evidence revealed mixed results. In their study on risks reporting by Portuguese banks, Oliveira et al (2011) found the existence of audit committee independence and risk disclosure. Still further, in a study of non-financial listed firms in Tunisia, Salem et al (2019) found a positive relationship between audit committee independence and risks disclosure. However, Neri (2010), found an insignificant relationship between audit committee's independence and risk disclosure. Based on this findings, the following hypothesis is developed.

H_8: *There is a positive relationship between audit committee independence and the extent of financial risk disclosure*

Audit committee financial expertise

The mere existence of audit committee in a company does not suggest that the committee will be effective in its monitoring responsibility. What matters is the existence of an audit committee with the accounting expertise that can watch over the financial reporting processes (BRC, 1999). A number of empirical studies have concurred that competent audit committee is related positively to enhanced corporate risk disclosure. For example, Beasley and Salterio (2001) investigated board features and enhancements in the composition and experience of audit committee and found audit committee's expertise impacting positively related on risk disclosure. Similarly, Xie et al (2003) discovered that a competent audit committee impacts positively on corporate risk disclosure. Furthermore, Hoitash et al (2009) also found a positive relationship between audit committee's financial expertise and risk of fraud reporting. Moreover, Krishnan and Visvanathan (2007) discovered an audit committee with a greater number of financial expertise is likely to reduce the extend of fraudulent practices and fortifies internal control processes. On the other hand, Cohen et al (2014) found that accounting expertise alone is not enough but rather an audit committee with a mix of accounting and industrial experts is likely to perform well relative to a committee with only accounting experts. Accordingly, the following hypothesis is formulated.

H_9: *There is a positive relationship between audit committee independence and the extent of financial risk disclosure*

3. Control Variables

Aside corporate governance mechanisms, it is obvious that there are other variables that may affect the disclosure of risks by an organisation. These variables are many and include firm's size, profitability, leverage, and auditor type, among others. This study, in line with prior studies, uses all of the four variables listed above.

Firm Size

A number of studies have suggested that size is an important factor in the determination of the level of information disclosed by firms (e.g. Abraham et al, 2007; Hasan et al, 2008; Das et al, 2015). Larger firms, Brammer and Pavelin, 2008 noted, tend to be more visible and exposed to inherent risks than smaller firms because of their complexity. This agrees with the agency theory's assumption that larger firms have higher information asymmetry and by extension higher agency costs than smaller firms. As a result, in order to decrease the cost of agency and information imbalance between the management and investors Watts and Zimmerman's (1983) suggest that larger firms need to disclose more information. Similarly, the signaling theory assumes that larger firms tend to rely heavily on external source of finance. For this reason, Al-Shammari (2014) noted that larger firms send good signal to users by disclosing more information to help them manage their risks exposures.

Firm Profitability

The agency theory, according to Al-Sammari (2014), expects management of higher profit making companies to disclose more risk related information in their financial statements as a way of justifying their exceptional performance to the owners. This assumption is also valid in case of the signaling theory as evidence has shown the presence of association between firm's profitability and risk disclosure (Inchaushi, 1997). Corroborating this position, Al-Shammari (2014) inferred that firms with a relatively higher profitability tend to signal their superiority on risk management to the market by disclosing large amount of risk related information. Empirically, this view concurred with the findings of Wang et al (2008) and Nandi and Ghosh (2013), among others.

Firm Leverage

The financial leverage of a firm is also another factor that determine the level of risks disclosed by the firm. Firms with higher debt/asset ratio are likely to be more speculative and riskier and this gives the debt-holders considerable amount of power over the financial structure of the firms (Dey et al, 2018). Thus, from the viewpoint of the agency theory, the lenders have strong reasons to encourage management of highly indebted firms to disclose more information as agency costs are higher. Thus, Jensen and Mecking (1976) opined that to achieve agency costs reduction, management have to disclose risk related information that meets the desires of the creditors and other finance providers. From the signaling theory point of view, Oliveira et al (2011) suggested that highly leveraged firms tend to disclose more risk related information in order to demonstrate to the creditors their abilities to meet their debt obligations as when due.

Firm auditor type

Auditor type is also argued as a significant element in explaining extend of risk disclosure by firms. Larger audit firms, Jensen and Meckling (1976) argued, serve as instrument for the reduction of agency costs. As a way of maintaining their reputation, large audit firms encourage firms to disclose risk related information. In this way, Chalmers and Godfrey (2004) argued, they might avoid any reputational costs they might incur. The choice of a reputable audit firm by a company comes with a reciprocating benefit. For the company, it is a signal to the investors that the content of its financial reports is of high quality (Craswell and Taylor, 1992). On the other hand, for the audit firm, the information disclosed in the financial statements is use as a signal of the quality of their work (DeAngelo, 1981).

4. Research Method

4.1 Sample

The population of this study comprises of all the commercial banks listed on the Nigerian Stock Exchange between 2016 – 2018. Given the fact that this study employs a risk disclosure index that meet the requirements of IFRS 7, the period 2016-2018 affairs appropriate as Nigeria adopted the IFRS in 2011. There are currently twenty-three commercial banks in Nigeria (Central Bank of Nigeria, 2019), out of which thirteen are listed on the Nigerian Stock Exchange. All of the thirteen listed banks were observed. This gives a total of thirty-nine firm year observations for the period under review. Data were gathered through the websites of the banks. The study employed cross-sectional research in which data for all the periods observed were collected on the last day of the accounting year. The data were analysed using descriptive statistics and the regression model developed in section 4.4.

4.2 Method of Analysis

Consistent with Linley and Shrives (2006), this study employs content analysis to measure the extend of disclosure in published accounts of the banks surveyed. The use of the content analysis is appropriate because the focus of the study is on the extend rather than quality of risk disclosed (Rajab and Handley-Schachler, 2009). In order to measure the extend of risks disclosure, an unweighted risk disclosure index based on the provisions of IFRS 7 was constructed. The number of items included in the disclosure index is determined, as in prior studies (Naser et al, 2006; Bischof, 2009; Bamber and McMeeking, 2010), by the provisions of IFRS 7. Thus, a total of fifteen items are included in the disclosure index as presented in Table 1. A score of 1 is recorded for a risk item that is clearly and systematically disclosed in the financial statements and a score of 0 is recorded if no disclosure is made for a risk item.

Table 1: Financial Risk Disclosure Index

Risk category	No.	Disclosure indicators
Credit Risk	1	Maximum exposure to credit at the end of the year.
	2	Concentration of credit risks
	3	Credit quality of financial assets that are neither past due or expired
	4	Credit risks management process
	5	Financial assets that are past due but not impaired
	6	Financial assets that are impaired
	7	Collateral and other credit enhancements obtained
Liquidity Risk	1	Maximum exposure to liquidity risks at the end of the year
	2	Concentration of liquidity risks
	3	Liquidity risks management process
	4	Maturity analysis for non-derivative liabilities
	5	Maturity analysis for derivative liabilities
Market Risks	1	Maximum exposure to market risk at the end of the year
	2	Concentration of market risks
	3	Sensitivity analysis of each type of market risks

Table 1 presents the risk disclosure index. The Table presents three categories of risk with fifteen disclosure identifiers

4.3 Measurement of Variables

Two sets of variables, dependent and independent, are used in this study. The dependent variable is financial risk disclosure, while the independent variables are corporate governance mechanisms and firms' specific characteristics. Table 2 presents a description of the variables used in the study.

Table 2: Description of Variables

Type	Acronym	Definition	Measurement
Dependent	RD	Financial risk disclosure index	Ratio of score obtained by a bank and maximum possible score
Independent (Governance Mechanisms)	BS	Board size	Number of members of board of directors
	BI	Board Independence	Number of independent non-executive members of the board of directors
	BD	Board Diversity	Number of male members of board of directors
	MO	Managerial Ownership	Proportion of shares owned by management (executive directors)
	IO	Institutional Ownership	Proportion of shares owned by institutional shareholders
	GO	Governmental Ownership	Proportion of shares owned by government agencies
	AS	Audit Committee Size	Number of audit committee members
	AI	Audit Committee Independence	Number of independent audit committee members
	AE	Audit Committee Fin. Expertise	Number of audit committee members with accounting qualification
Independent (Firm Specific attributes)	FS	Firm Size	Natural logarithm total assets
	FP	Firm Profitability	Net income divided total assets
	FL	Firm Leverage	Total liabilities divided by total assets
	FA	Firm Auditor Type	1 if audited by one of the big4 audit firms, 0 otherwise

Table 2 presents description of all the variables, dependent and independent, used in the study together with the bases of their measurement

4.4 Model Development

Following prior studies (Bischof, 2009; Bamber and McMeeking, 2010; Amran and Haniffa, 2011), this study employs multiple regression analysis to assess the impact of corporate governance mechanisms on financial risks disclosure. Accordingly, the following regression model is estimated.

$$RD_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BI_{it} + \beta_3 BDit + \beta_4 MO_{it} + \beta_5 IO_{it} + \beta_6 GO_{it} + \beta_7 AS_{it} + \beta_8 AI_{it} + \beta_9 AE_{it} + \beta_{10} FS_{it} + \beta_{11} FP_{it} + \beta_{12} FL_{it} + \beta_{13} FI_{it} + \beta_{14} FA_{it}$$

Note: All variables are defined in Table 2

5. Results

5.1 Descriptive Statistics

Table 3 presents the descriptive statistics of the study. From the Table, the results reveal that RD ranged from 20% to 100% with an average of 88%. This might not be impressive as the mandatory adoption implies that all banks are expected to make maximum disclosure of all mandatory items. In terms of board characteristics, the results show an average board size of 14 directors with 9 of them non-executive directors which agrees with the requirement of the Nigerian corporate governance code that the number of directors should mirror the scale, size, complexity and the business reach of the company with non-executive directors in majority. In term of diversity, the board is lopsided with majority of members are male. Specifically, on average, eleven of the members of the board are male with a minimum of two and maximum of sixteen. Similarly, on average, the result reveal that management, institutional investors and government hold 9%, 49.8% and 3.9% respectively. In relation to audit committee, the code requires up to a maximum of six members with equal members of directors and shareholders. The study met this requirement as the average size of the board comprise of five members with another five members being a mix of directors and shareholders. Finally, in terms of accounting expertise of the audit committee, the results reveal that, on average, two members of the audit committee possess accounting qualification. This is in line with the requirement of the code that at least one member of the committee shall be finally literate.

Table 3: Descriptive Statistics of Variable Employed

Variable	No	Minimum	Maximum	Mean	Median	Std. Deviation
RD	39	0.2000	1.0000	0.880769	0.930000	0.2247266
BS	39	10.0000	19.0000	14.461538	15.000000	2.5530802
BI	39	7.0000	12.0000	9.102564	9.000000	1.7289314
BD	39	2.0000	16.0000	11.153846	11.000000	3.0047196
MO	39	0.0010	0.5500	0.090336	0.020000	0.1494658
IO	39	0.1000	0.9000	0.497795	0.540000	0.2414683
GO	39	0.0000	0.3440	0.038590	0.000000	0.0945125
AS	39	3.0000	6.0000	5.717949	6.000000	1.0990119
AI	39	3.0000	6.0000	5.487179	6.000000	1.3153306
AE	39	0.0000	4.0000	2.205128	3.000000	1.4359938
FS	39	0.0000	19.4662	15.650095	16.549293	4.0823549
FP	39	-0.0953	3.3530	0.112250	0.012360	0.5357336
FL	39	0.0096	2.5475	0.720786	0.854003	0.5513536
FA	39	0.0000	1.0000	0.769231	1.000000	.4268328

Table 3 reports the descriptive statistics for the variables used. The sample period spans 3 years from 2016 to 2018. All variables are described in Table 2.

5.2 Correlation Coefficient

Table 4 presents the Pearson correlation coefficient of the study. The results indicate that risk disclosure (RD) has both positive and negative relationships with the governance mechanisms used. However, with the exception of Audit Expertise (AE), none of the relationship is significant. It can be seen from Table 4 that RD is positively related to all the governance mechanism except board independence (BI) and managerial ownership (MO) that are negatively related. This is contrary to the expectation of the study that all the mechanisms are positively related to RD. On individual basis, some of the mechanisms are significantly related to each other. For example, BS is significantly positively related to both BI and BD. Likewise, MO is significantly negatively related to IO.

Table 4: Pearson Correlation Coefficient

Variable	RD	BS	BI	BD	MO	IO	GO	AS	AI	AE	FS	FP	FL	FA
RD	1													
BS	.047 .776	1												
BI	-.270 .096	.353* .028	1											
BD	.183 .265	.615** .000	.281 .084	1										
MO	-.155 .346	-.152 .356	.425** .007	-.207 .207	1									
IO	.237 .146	-.122 .460	-.165 .314	-.054 .743	-.376* .018	1								
GO	.056 .735	-.034 .838	-.172 .294	.023 .890	.042 .802	-.248 .128	1							
AS	.181 .270	.170 .302	.043 .793	.205 .211	-.125 .449	.368* .021	.054 .742	1						
AI	.074 .653	.080 .628	.186 .258	.280 .084	-.119 .471	.121 .463	.111 .502	.789** .000	1					
AE	.397* .012	.017 .920	-.507** .001	-.197 .230	-.250 .124	.122 .459	-.008 .959	.404* .011	.155 .347	1				
FS	-.103 .534	.089 .589	.044 .791	.005 .978	-.036 .829	.149 .366	-.788** .000	-.204 .213	-.271 .095	-.028 .867	1			
FP	-.508** .001	-.071 .666	.267 .100	-.523** .001	.483** .002	-.249 .127	-.113 .492	-.291* .072	-.211 .197	-.138 .403	.163 .323	1		
FL	.251 .124	.515** .001	-.051 .757	.325* .044	-.016 .924	-.209 .202	.556** .000	.139 .399	.066 .689	.213 .193	-.592** .000	-.248 .128	1	
FA	-.127 .441	.221 .176	.176 .285	.069 .674	-.112 .497	-.011 .945	-.603** .000	-.142 .387	-.216 .186	.079 .631	.639** .000	-.592** .000	-.134 .415	**1**

Table 4 reports the Pearson correlations coefficient for all the variables used. The sample period spans from 2016 to 2018. All variables are described in Table 2. **correlation is significant at the 0.01 (1%) level, *correlation is significant at the 0.05 (5%) level.

5.3 Results and Discussions

Table 5 presents a summary of the regression results. The model summary indicates that the independent variables taken together explains 50.50% of the variations in risks disclosure, out of which corporate governance mechanisms accounts for 24.80%. However, the model is not statistically significant with 0.72.

On individual basis, the regression results, a presented in Table 5, indicate a number of positive and negative associations. First, the results reveal a positive relationship between board size and risks disclosure and this result supports hypothesis H_1. Consistent with Healy and Palepu (2001), this finding suggests that the boards of directors of Nigerian banks are effective in monitoring and controlling the activities of the executive in ensuring that the amount of risks disclosed is improved. In the same vein, consistent with Chen and Jaggi (2000), the finding suggests that the boards of directors of Nigerian banks have the potentials of mitigating the problem of information disequilibrium and hence improvement in risks disclosure. On the contrary, the study found a negative association between board independence and risks disclosure. This finding negates the expectation of the study and also negates the agency theory assumption that presence of independent directors is significant in mitigating the problem of information disequilibrium. However, the finding is consistent with some empirical studies including Lopes and Rodrigues (2007) that found the absence of positive association between independent directors and risks disclosure. Similarly, a negative is revealed between board diversity and risks disclosure. This finding is consistent with Allini et al (2014) who found a negative connection between diversity and risks disclosure. The implication is that, contrary to Ntim et al (2013), the pressure from a diversified board does not encourage management to improve its risks disclosure.

In relation to ownership structure, as predicted, the study reveals that managerial ownership is positively related to risk disclosure. This finding agrees with Leung and Horwitz (2004) and Jensen and Meckling (1976) which suggested that managerial ownership is a useful requirement for the reduction of information asymmetry within a company. Thus, it can be inferred that the interests held by management in Nigerian banks are adequate in disclosing significant amount of risks useful for the investors' decision. Similarly, consistent with Rosnadzirah, and Rashidah (2011), this study finds that institutional ownership is positively related to risk disclosure and thus supports H_5. On one hand, this finding is signifying managerial ownership of Nigerian banks is high enough to lower the information asymmetry between management and investors. On the other hand, is sending a signal that the managerial ownership is so high that it might lead to managerial decisions having adverse effects on the investors. Additionally, in line with H_6, the study reveals a positive relationship between governmental ownership and risks disclosure. This finding settles with the majority of studies on the relationship between governmental ownership and risk disclosure which showed positive relationship. For example, Ntim et al (2013), Barakat, and Hussainey (2013) and Seta et al (2017), among others, all found positive association. Accordingly, in line with the stakeholder's theory, the Nigerian government, through its ownership, has the ability of exerting pressure on the management to release useful information to assist investors in taking informed decisions.

In terms of audit committee, the study finds a negative relationship between the audit committee size and risk disclosure. It is argued that a larger audit committee has the potential of improving the status and powers of the committee within the company and by extension the quality of audit (Kalbers and Fogarty, 1993). Similarly, it is also argued that the presence of larger committee size could reduce the problem of information asymmetry and enhance more disclosure (Chen and Jaggi, 2000). Thus, what the finding of this study is suggesting is that the maximum audit committee size of six members as prescribed by the corporate governance codes of Nigeria is not large enough. On audit committee independence, the study's finding reveals a positive relationship and thus supports H_8. The implication of this finding is that management acts in the best interests of investors (Zhang et al, 2013) and by extension the quality of financial reporting of Nigerian banks is preserved (Collier, 1993). Finally, the study reveals a positive connection, as expected, between audit committee expertise and risks disclosure. This finding, consistent with Xie et al (2003), has supported the idea that the existence of audit committee is not what matters but existence of an audit committee with the financial expertise that can watch over the financial reporting processes (BRC, 1999).

Table 5: Regression Results

Variable	Expectation sign	β	Sig.
BS	+	.382	.419
BI	+	-.122	.705
BD	+	-.015	.958
MO	+	.520	.123
IO	+	.421	.073
GO	+	.008	.977
AS	+	-.671	.097
AI	+	.338	.313
AE	+	.568	.020
FS		-.221	.633
FP		-.666	.025
FL		-.205	.668
FA		.014	.963
Summary: R^2 = .505; Adjusted R^2 = .248; F= 1.962; Sig. = .072			

Table 5 presents the regression results of all the variable used in the study. The expected results of the study are captured in the Table

6. Policy Implication and Lessons for Saudi's Business Transformation Agenda.

While the study relates to Nigeria, it can as well be a useful guide for Saudi's attainment of its business transformation agenda as enshrined in the Vision 2030. The reason for this assertion is based on the premise that Nigeria and Saudi Arabia share a lot of characteristics in common. For example, both countries are developing countries. They have the same characteristics of developing economies such as low level of productivity. Similarly, both countries are oil dependent countries with greater part of their revenues coming from. Similarly, both countries are now diversifying their economies and moving towards knowledge based economy.

First and foremost, the study revealed that the corporate governance mechanisms, taken together, explained about 25% of the variations in financial risks disclosure. This shows the importance of the governance mechanisms on influencing financial risks disclosure. However, with an average of 88% compliance, there is still enough to be done under mandatory regime. Therefore, this could be a guide for Saudi towards ensuring that the compliance strategies in place are updated to move in harmony with policy dynamics of the government and well as the requirements of IFRS 7.

Second, it is found in this study that the size of the board of directors of Banks in Nigeria is large enough to influence adequate disclosure of financial risks. The validity of this finding hinges on the provisions of the corporate governance codes regarding board size. An appropriate board size is mainly determined by a number of factors including the scale, size, complexity and the business reach of the company. Thus, it could be useful for the Saudi's code of corporate governance to be aligned, in the light of the changing business environment, with the business transformation drive of the Vision 2030. The attainment of Vision 2030 means business growth in terms of cale and complexity. Therefore, it could be useful to amend, if need be, the provision of the Saudi's corporate governance code relating to board size so that likely implications that future changes in business on the size of the board are captured.

Third, the importance of independent directors and board diversity has been acknowledged by government across the world and are duly captured in corporate governance codes. In fact, scholars have argued that presence of independent directors as well as board's diversity are significant in mitigating information asymmetry problems (Garcia-Sanchez et al., 2011; Ntim et al, 2013). While on average, the study revealed that 75% (9 out of a maximum of 12 members) of the board members were independent, about 70% were male. This lack of diversity might have been the reason why the study reveals negative relationships for both board independence and diversity. Therefore, this finding could be of help to the Saudi government towards ensure that appropriate diversity is maintained in board of directors. This is particularly important because of the recent drive of the government in ensuring that female talents are carried along in fostering the economic agenda of the government.

Fourth, in terms of ownership structure, all the three mechanisms of managerial, institutional and governmental ownership have shown positive relationship with financial risk disclosure. On average, the ownership of banks in Nigeria is not concentrated in the hands of any one of the three mechanisms studied. In particular, with institutional ownership accounting for about 49%, management will be pressured to improve disclosure of information on financial risks. In the same vein, despite the small percentage of government ownership in Nigerian commercial banks the relationship is positive. This is suggesting that the government does not need to have larger share of ownership in any business before it can influence its operations. Accordingly, being the most powerful shareholder, the mere presence of the government in any industry is enough to influence enhanced risk disclosure. As Saudi is moving towards public-private partnership, such as the current IPO of the Saudi Aramco, this finding is a good massage to the Saudi government that it is following the right direction in partially privatising some of its companies.

Finally, the study revealed a negative association between audit committee size and financial risk disclosure. With a maximum number of six members defined by the Nigerian codes, this finding indicates lack of congruence between the provisions of board size and audit committee size in Nigeria's corporate governance code. For example, if the board size is reasonably large, then nothing will be expected to come out from a small audit committee size as the larger board is likely to influence audit committee. While it is the finding of this study that both the audit committee independence and expertise were positively related to risk disclosure, the fact that the audit committee size was negatively related with risk disclosure, the independence and the expertise of the committee might not exert significant influence on management to improve in disclosure of risk. Thus, as a guide, Saudi government could consider the reasonableness of the provisions relating to audit committee size and independence ensure that the audit committee live up to its responsibilities.

7. Conclusion

This study investigated the connection between corporate governance mechanisms and financial risk disclosure. Specifically, the paper examined three attributes each of board's characteristics, ownership structure and audit committee. Consistent with prior studies, the study employed content analysis to extract the data from the annual reports of the sampled banks and then applied multiple regression analysis to test the relationship. The findings of the study revealed that corporate governance mechanisms matter in financial risk disclosure. Specifically, all the mechanisms studied are positively associated with financial risk disclosure, except board independence, board diversity and audit committee size that had negative association.

The findings of the study have some policy implications for developing countries and, in particular, Saudi Arabia. First, the result revealed that, on average, only 88% of the disclosure requirement of IFRS 7 were made. The expectation is 100% since the adoption of IFRS by Nigeria is mandatory. The implication for Saudi here is that the regulators should ensure that banks and other financial institutions comply strictly to the disclosure requirements of all IFRS related to banks and financial institutions. Similarly, as some of the mechanisms were found to be negatively impacting on risk disclosure, efforts should be made by the Saudi authorities to achieve a balance amongst the mechanisms to avoid, especially the audit committee, from being ineffective.

Finally, the findings in section 5.3 above and the discussion of the implication of the findings have call for further research that could be seen as a possible extension of this study. First, the study concentrated only on financial risk disclosure. While this has met the objectives of the study, it is recommended that further research be undertaken to include both the qualitative and quantitative risk disclosure of IFRS 7. Second, the study sampled only listed commercial banks in Nigeria. further research is recommended to include both listed and unlisted commercial banks. Third, since Nigeria and Saudi Arabia are both developing countries and have many characteristics in common, further research is needed to carry out a comparative study on the influence of corporate governance mechanisms on risk disclosure in the two countries.

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PERSONAL DETAILS

- Date and Place of Birth: 27th March, 1968/ Maiduguri
- State of Origin and LGA: Borno/Magumeri
- Nationality: Nigerian

EXECUTIVE SUMMARY

Dr. Adam is well-connected and seasoned professional with over 25 years of academic and industry experience. He has never been found wanting throughout his career. He has been severally commended and rewarded for the commitment, discipline and professionalism he has shown in his work endeavors. Over the past two and half decades as a lecturer, he has produced thousands of undergraduates and postgraduates, some of whom are now renowned chief executives in notable private and public institutions across Nigeria and beyond. He has also, as an academic, contributed immensely to knowledge by publishing a number work that impact on the Nigerian economy particularly on fiscal policy, financial services markets, financial reporting, and budgeting. Similarly, in his capacity as head of department and program leader, he has contributed to the image of the various universities he served by establishing collaborations with industry players such as professional bodies, local and international oil companies (including the Nigerian National Petroleum Corporation) and banks and other financial institutions.

In spite of his challenging academic activities, Dr. Adam has marked his footprint in the industry both within and outside Nigeria. As a PhD scholar at the Robert Gordon University, he was recommended, on the basis of his excellence performance in his PhD transfer module, to work with the Shell Petroleum Company as student trainees for about six months. Similarly, his engagement as a management consultant has positively impacted on his industry experience in many ways. First, it has exposed him to what governance means by seating on a discussion tables with Federal and State chief executives on issues bordering funding, economy, citizens' welfare, and many more. Second, he has come to understand the intricacy and the challenges involved in providing advisory services that accurately meet the needs of chief executives. Furthermore, it has made him to appreciate and understand what it takes to be a leader.

The interplay between his academic and industry experiences has made him to be one of the best in his field. He is a holder of BSc (Accounting), MSc (Accounting), and PhD (Accounting). These technical qualifications combine with his Membership of the Association of Chartered Certified Accountants (ACCA) and his Fellowship (FCA) of the Institute of Chartered Accountants of Nigeria (ICAN) have placed him in an enviable position relative to is colleagues. To further boost his managerial ambition, Dr. Adam has enrolled and obtained a Master of Business Administration in Finance twenty years ago.

PROFESSIONAL PROFILE

- Accomplished career demonstrating consistent success as an administrator and academia at the polytechnic and university education levels within and outside Nigeria. Outstanding track record in assuring student success
- Experienced in conceiving and designing programs from the scratch via proven capabilities in writing and administration, program management, and staff development and empowerment.
- Seasoned in managing, designing, developing and delivering of a range of academic programmes both at undergraduate and postgraduate levels, including curriculum review in a manner that supports student learning.
- Experienced in developing and implementing special programs that capture the needs of students with different background such as race, ethnicity, religion and language, among others.
- Effective communicator with exceptional academic strengths as well as leadership ability to plan and control towards actualizing university's established goals.
- Lead in cooperative research activities and publishing outcomes through regular and sustained publications in journals, books and conference proceedings.
- Vast in the design and management of processes relating to student assessment, examination and feedback activities.
- Talented in playing a leading role within the academic environment in motivating and managing staff particularly less experienced staff and research students

EDUCATION

- **PhD, Accounting,** Robert Gordon University, Aberdeen, United Kingdom**,** 2013
  Thesis: A Theoretical and Empirical Investigation into the Design and Implementation of an appropriate Tax Regime: An Evaluation of Nigeria's Petroleum Taxation Arrangements
- **Post Graduate Certificate in Research Methods**, Robert Gordon University, Aberdeen, United Kingdom, 2011.
- **MSc Accounting**, University of Lagos, Akoka, Lagos, Nigeria, 2000
  Project: Electronic Banking Service Delivery: A case Study of United Bank for Africa Plc, Nigeria
- **MBA (Finance),** University of Maiduguri, Maiduguri, Nigeria**,** 1998
  Project: Adoption of Computerised Banking Products and Services: A Study of Some Selected Nigerian Banks
- **BSc Accountancy**, University of Maiduguri, Maiduguri, Nigeria, 1994
  Project: Internal Revenue Generation and Administration in Borno State of Nigeria
- **WAEC Senior Secondary Certificate,** Bolori Day Secondary School, Maiduguri, Nigeria, 1988

PROFESSIONAL MEMBERSHIP

- Fellow (FCA), Institute of Chartered Accountants of Nigeria (ICAN)
- Member, Association of Chartered Certified Accountants (ACCA), United Kingdom
- Registered Professional, Financial Reporting Council of Nigeria

WORK EXPERIENCE

- Imam Abdulrahman Bin Faisal University, Kingdom of Saudi Arabia
    a) Assistant Professor from August 2014 to date
- University of Maiduguri
    a) Lecturer I from 2004 to 2013
    b) Lecturer II from 2002 to 2004
    c) Assistant Lecturer 2000 to 2002
- Ramat Polytechnic, Maiduguri
    a) Lecturer II from 1998 to 2000
    b) Assistant Lecturer from 1995 to 1998

TEACHING EXPERIENCE

Nigerian Universities

- Postgraduate Teaching at the University of Maiduguri

a) In 2012, Taught the MSc Accounting Students Management Accounting
b) From 2006 to 2009: Taught the MBA (Finance) Management Accounting course
c) Between 2005 and 2009, Taught Cost Accounting at the Post Graduate Diploma programme run by the Department of Management
d) In 2008, Taught the Postgraduate Accounting students Advanced Taxation

- Undergraduate teaching at the University of Maiduguri

From 2000 to 2009 Taught five different courses at different level The courses and the levels were:

a) Financial Accounting – Level II and IV
b) Cost Accounting – Level II
c) Management Accounting – Level III and IV
d) Taxation – Level III and IV
e) Financial Management – Level IV

- Undergraduate teaching at other Universities on visiting appointment

I was on a visiting appointment with two Universities for three years between 2006 and 2009. These Universities are: i) Federal University of Technology Yola (now Modibbo Adama University of Technology, Yola) and Adamawa State University, Mubi. During that period, I taught three courses:

a) Planning and Control, Level IV course at Adamawa State University, Mubi
b) Taxation and Quantitative Techniques, Level II and III courses at Modibbo Adama University of Technology, Yola
c)

Overseas University

- Post graduate teaching at the Master of Business Administration level of the Imam Abdulrahman Bin Faisal University, Kingdom of Saudi Arabia
    a) From 2017 to date, taught Managerial Accounting at the MBA level
    b) From 2017 to date, taught Financial Accounting at the Pre-MBA level

- Undergraduate teaching at the Imam Abdulrahman Bin Faisal University, Kingdom of Saudi Arabia

From 2014 to date, taught three different courses at different level. The courses and the levels were:

a) Principles of Financial Accounting – Level I
b) Principles of Managerial Accounting I & II – Level II & III
c) Advanced Accounting – Level IV

Nigerian Polytechnic

- Diploma and Higher National Diploma teaching at Ramat Polytechnic, Maiduguri

- From 1995 to 1999 I taught various course at the Diploma level
- Between 1997 and 1999 I taught two courses at the Higher National Diploma (HND) level:
    a) Cost and Management Accounting, HND I Level
    b) Management Accounting, HND II Level

- Teaching at the Ramat Polytechnic Consultancy Unit
    a) I have taught the HND part-time class Management Accounting for two years between 2008 and 2009
    b) I also taught for the same period the HND I class Cost Accounting

Secondary School teaching

- I taught Principles of Accounts at the Prudence Comprehensive College, Odekpe, Anambra State, Nigeria between June 1994 and May 1995 during my National Youth Service Corps (NYSC) programme.

ADMINISTRATIVE EXPERIENCE

Coordinator and Programme Leader.

I had been the coordinator and programme leader of the department of Accounting, Imam Abdulrahman Bin Faisal University, Kingdom of Saudi Arabia from2015 to 2017. My main duties and responsibilities are:

a) **Overall design of the accounting programme:** this involve ensuring that:
   i) the programme is defined the requisite challenging but realistic learning objectives that empower the students and accurately describe the distinctiveness of the course of study
   ii) the achievement of the learning objectives carefully and realistically documents via the various modules of the programme
   iii) development of comprehensive programme assessment that measures accurately the progress achieved by students towards meeting the programme learning objectives
   iv) teaching strategies are effectively planned to ensure support for the complexity of learning towards the attainment of the programme learning objectives

b) **Continuous programme design, maintenance and improvement:** this involves ensuring that:
   i) Changes in the university rules, regulations and policies relating to the academic programmes are promptly assessed and acted upon
   ii) Reflection of any modification of the requirements of applicable professional or regulatory is appropriately reflected in the curriculum of study
   iii) Changes in market conditions and competitors' behaviours are monitored and appropriately responded to
   iv) Documentation of issues faced by either students or instructors in the programme is made in a timely manner

c) **Continuous monitoring of the programme's operation:** this requires addressing important issues related to the programme in a timely and effective manner by ensuring that
   i) The pattern of the student progression is monitored across the programme including issues related to sister and support departments
   ii) Student's evaluation data is supervised and any issue identified is addressed with support from colleagues
   iii) External examiners' recommendations are considered and acted upon appropriately
   iv) Regular meetings with course leaders and student representatives to discuss issues relating to the programme progression and proper action taken.

d) **Effective coordination of the programme design and delivery team**: ensure effective coordination of the programme design and delivery team by:

i) Taking the leadership for the programme and the team contribute course modules for the programme by representing the at departmental meetings and programme periodic and annual review exercises.
ii) Organising the programme and coordinating colleagues in such a way that everyone will be justly and equitably treated.
iii) Managing and sustaining developments and encouraging colleagues to be active in their participation with the programme

My **NOTABLE ACHIEVEMENTS** during my years of service as coordination/programme leader include the following:

a) Initiated the establishment of departmental examination malpractice committee. Hitherto, there was only one disciplinary committee at the college level
b) Established and headed the department's quality control unit. This is the first of its kind in the college and has since been adopted by sister departments in the college
c) Initiated collaborations with professional accountancy bodies including Association of Chartered Certified Accountants (ACCA). This has led to six course exemptions by the ACCA for our graduates
d) Secured approval of the revised curriculum of the accounting programme by the Saudi Ministry of Higher Education
e) Helped in establishing departmental research unit that supports research and scholarly activity within the department

Head of Accountancy Department

Served as the Head of department (HOD) of Accountancy of the Yobe State University, from 2013 (September) to August, 2014. Prior to that, I acted, in several occasions, between 2004 and 2009, as the Head of the Department of Accountancy, University of Maiduguri. My roles and responsibilities during include:

a) Provision of leadership and management: this include:
   i) Being responsible and accountable for the establishment and promotion of the department's academic strategy in line with the university's guideline
   ii) Being an active member of the Faculty Board by contributing to the overall leadership and management of the Faculty
   iii) Shoulder the promotion of the university both within and outside the university
b) Roles towards teaching and students: this include:
   i) Ensuring the best possible experience for the students through the fulfilment of the university's requirement relating to admission, teaching, progression and examination
   ii) Maintenance and development of existing programme and the development of new programmes to attract new students and new markets.
c) Responsibility for research: this is carried out through:
   i) Ensuring that research is undertaken with the highest level of quality and ethical considerations

ii) Creating conducive forward looking research environment for both staff and students

d) Human resource management: the responsibilities here include:

i) Ensuring that the human resource policies of the university are adhered to ii) Staff performance is appropriately managed by fairly allocating workload to them in line with the requirement of the university

iii) Making sure that staff have access to all the necessary facilities that they require for effective discharge of their responsibilities

iv) Ensure students' participation in some of the decision making process of the department

v) Create a healthy academic environment for both the students and the staff.

e) Management of finance: include:

i) Assume the responsibility for the preparation of the departmental budget in compliance with the university regulations

ii) Manage the department's income and expenditure in order to promote financial discipline and sustainability

iii) Ensure that all staff of the department comply with the university's financial regulations and other financial regulations applicable to the university

iv) Ensure proper maintenance and servicing of all assets and equipment under the control of the department

f) Quality assurance and control: this is achieved through:

i) Ensure that all academic and administrative activities are carried out professionally with the highest standard possible

ii) Ensure that proper evaluation and compliance procedures, including teaching, research and management, are put in place to guarantee compliance and improvements.

My **NOTABLE ACHIEVEMENT** during my tenure as head of department include:

a) At the university of Maiduguri:

i) Actively participated in the introduction and implementation of Post Graduate programmes at the department ii) Secured the reaccreditation of the accounting programme

iii) Completed review of the programme curriculum in line with the Nigerian Universities Commission (NUC) guidelines

b) At the Yobe State University:

i) Successfully secured the first accreditation of the accounting programme ii) Established an independent departmental examination committee. Before then, there was only a departmental office that was under the head of the department.

ii) Helped in making functional, the Faculty Business Committee of the Faculty of Social and Management Sciences of the university

Committee Membership

a) At the university of Maiduguri:

i) Member, Faculty of Management Sciences Business Committee for three years between 2003 and 2005

ii) Member, Faculty Post Graduate Studies, representing Faculty of Social and Management Sciences, 2014 -2015

i) Member, Faculty Examination Committee, Faculty of Social and Management Sciences, 2002-2009 ii) Chairman, Departmental Examination Committee, Department of Accountancy 2002 to 2009

b) At the Yobe State University

i) Chairman, Department examination malpractice committee, Department of Accountancy ii) Member, Faculty Executive Board iii) Chairman, TetFund Liaison office iv) Member, Senate Business Committee

4. Other Responsibilities Held

- Served as Staff adviser of the Nigerian Universities Accounting Students Association, University of Maiduguri Branch – 2005 to 2008
- Coordination of the National Polytechnic Accounting Students Association, Ramat Polytechnic Branch – 1997 to 1999

INDUSTRY EXPERIENCE

Consulting Services

1. Director, CORPORATE ANALYST CONSULTING (Nigeria)

Corporate Analyst is a consulting outfit established with head office located in Maiduguri, Borno State of Nigeria. The firm works with both private and public organisations by assisting them to improve their performances. Specific areas of services include the provision of organisational change management service, technology choice and implementation service, operational improvement services, and coaching and training assistance, among others.

As a Director of the **CORPORATE ANALYST CONSULTING**, I have been actively involved in the provision of general consulting services throughout Nigeria particularly the North East part of Nigeria. My roles and responsivities include:

i) Study of client business challenges and technologies in order to understand their business needs by personal contact and interview of staff, among others
ii) Review of client's company data such payroll information, information systems, and financial statements
iii) Outline the scope of work and roadmap for meeting the client's project objectives iv) Communicate work outcome or result to the client upon completion of project
v) Work out modalities on how to inspire the client's employee will adopt and utilise with greater proficiency the outcome of consulting project
vi) Carry out any training required by the clients for its employees at varying levels

We have **NOTABLY** provided consulting services to numerous agencies and boards in the North East States on many areas including:

i) Training of Head Teachers and Assistant Head Teachers on areas covering:
   a. The role of head teachers and assistant head teachers on meeting the government's objective of providing basic education at the grass root
   b. The role of head teachers and assistant head teachers in promoting the Girl Child education policy in the North East
   c. The role of head teachers and assistant head teachers in the encouragement of marginalised groups (e.g. nomadic population and outof-school youth) to enrol for special educational programmes
   d. The role of head teachers and assistant head teachers in sensitising the rural community on the value of western education ii) Treasury management training for Treasurer, Assistant Treasurers and Accountants of local governments councils. The training covered the following areas:
      a. An overview of Local government treasury management system
      b. The role of local government treasury department in the management of cash
      c. The role of employees on government financial management
      d. Problems and challenges of local government cash management
      e. Local government cash management: meaning and importance

iii) Budget preparation and implementation strategies for State governments and private institutions

   a. Adoption and implementation of accrual budgeting system
   b. Budgeting: From cash to accrual system
   c. Impact of accrual budgeting of firm's performance
   d. Accrual accounting and budgeting: issues and developments
   e. Accounting treatment of key accrual budgeting items
   f. The implications of accrual budgeting on fiscal policy

2. Director, SUPERLATIVE CONSULT (Nigeria)

Established in 2004, the Superlative Consult is a general consulting firm with head office located in Yola, Adamawa State, Nigeria. The firm provides time-tested solutions to clients' operations, financial, and project management systems concerns. It also runs training courses for staff and employees of clients.

As a director, I have immensely contributed to the successes of **SUPERLATIVE CONSULT.** We have provided numerous consultancy services to State governments across Nigeria. Notable areas include:

i) Training on the adoption of the International Public Sector Accounting Standards (IPSAS) for the State Ministries of Finance across all the North East region.
   a. IPSAS: Adoption and Implementation strategies
   b. IPSAS and Accounting Rules
   c. Transition from cash to accrual accounting: Issues and strategies
   d. The impact of IPSAS on Auditors and internal control systems
   e. The role of ICT on the adoption and implementation of IPSAS

ii) Training of revenue officers of States Board of Internal Revenue Services
   a. Revenue generation: problems and prospects
   b. Strategy for the improvement of internally generated revenue (IGR): Issues and challenges
   c. The role of Tax Identification Number (TIN) is blocking revenue leakages
   d. Towards effective performance of State Revenue Boards
   e. The impact of IT on revenue generation at state level

3. Managing partner, NATQUEST INTERNATIONAL CONSULTING (UAE)

NatQuest International Consulting is a lead financial management programme that is design to provide business professionals with a deeper understanding of financial management as practiced by today's most powerful companies. The programme is wellthought, structured and can be taken as a standalone. NatQuest has delivered the programme across the Europe, Middle East and Africa for notable companies including NNPC, NDDC, NET, CBN, among others.

As a managing partner, my roles and responsibilities include the following:

i) The provision of expert advice on issues relating to financial management ii) Analyse the financial environment in which the firm operates, evaluate the corporate risk and suggest effective management techniques that minimise corporate risk

iii) Identify and analyse specific clients' situations and apply financial management knowledge to identify problems and issues and make recommendations on how to tackle the situation

iv) Monitor the developments in financial instruments and the financing options open to clients

v) Develop a working capital practices into plans for clients' effective management of cash, inventory and receivables

vi) Identify training needs of and organise training interventions that meet the for effective financial management

The key areas covered by the programme include

a. Corporate financing decision: which covers issues relating to financial leverage such as the risk of bankruptcy and optimal capital structure, dividend decisions, tax effect on dividend, agency problems, market for corporate control
b. Risk management: including hedging exchange rate risk using forward market, option markets; hedging commodity market using options and futures
c. Overview of financial markets: including equity markets, bonds markets, derivatives markets
d. Objectives of the firm: meeting shareholders and stakeholders' objectives
e. Financial management and financial planning

4. Facilitator/Trainer, TAYEDGE CONSULTING LTD (UK)

Tayedge is a management consulting firm established in 2012 in the United Kingdom with head office located in Dundee. It is into the provision of consultancy services mainly engage in electricity regulation and regulatory governance. The firm has offered numerous executive education courses in Europe, Middle East and Africa.

As a facilitator, I organized and conduct courses and trainings on behalf of the firm.
Notable courses conducted by the firm between 2012 and 2018 include:

a) Accounting for the regulation of public utilities
b) Fiscal policy for hydrocarbon: Analysis, design, accounting
c) Introduction to electric market regulation
d) Accounting for decommissioning of oil and gas facilities
e) Resetting price control for electric utilities

Audit engagement

Nathan Amadi & Co/Mustafa Bulu & Co. Chartered Accountants

I had the privilege of working as a temporary staff in both firms of chartered accountants mentioned above. In both firms, I was assigned the auditing of the books and accounts of their clients. These clients are:

i) National Orientation Agency ii) The
Federal Polytechnic, Damaturu

In both instances, I and my colleagues started and completed all the auditing processes involved at the field. These include but not limited to the following:

a. Evidence gathering through audit tests
b. Analytical procedures for both primary purpose (risk assessment, substantive tests and overall conclusion) and secondary purpose (understanding of client business, communication with the entity)
c. Audit enquiry to obtain knowledge about the firms, develop preliminary audit approach and to collect specific evidence

My involvement in these audit firms and in the auditing processes has impacted positively on me in so many ways including:

a. My journey towards becoming a professional accountant.
b. My knowledge of how accounting works in practice.
c. My teaching and administrative skill.

COMMUNITY PARTICIPATION AND SERVICES

I have taken part in various community services in my immediate neighbourhood and Nigeria in general. Among the numerous services that I rendered include the following:

a) Voluntary teaching services to adult who were not privileged to go to school at their tender ages. This came in the form of evening and night lectures at approved primary schools
b) Formation and membership of vigilante group of my neighbourhood at the Borno State 777 Housing Estate
c) Free educational counselling for youth in my community who want to join higher educational institutions
d) Free lectures for graduates in my community who are preparing for professional examinations and memberships
e) Lobbied and facilitated the location Police Outpost in my neighbourhood
f) Construction of toilet facility for security guards responsible for guarding the back door of the 777 housing estate

PUBLICATIONS

Publications

a) Kyari, A. K. (2019). Impact of IFRS Adoption on Value Relevance of Financial Statements. Fulafia Journal of Social Sciences, Volume 2, Number1, pp. 49-58
b) Kyari, A. K. and Waziri, B. Z. (2019): Mandatory adoption of International Financial Reporting Standard and Financial Reporting Quality of Nigerian Commercial Banks. Sahel Analyst: African Journal of Management, Vol. 4, No. 1
c) Opeyemi, A. Y., Kyari, A. K., Olalekan, O. I. and Rafiu, O. O. (2019): Managing Energy Resources Through Sovereign Wealth Fund and Renewable Energy Technologies in Nigeria. Sokoto Journal of the Social Sciences Volume 9: Number 1
d) Vargas-Hernández, J. G and Kyari, A. K. (2019): Economic and Environmental Effects of Rural and Urban Shrinkage Transformation Processes in Mexico. In Benna, Umar G. (Ed) Industrial and Urban Growth Policies at the Sub-National, National, and Global Levels, IGI Global
e) Vargas-Hernández, J. G., Esparza-López, J. J. and Kyari, A. K. (2019): An Institutional Entrepreneurship Analysis of Biodiesel Companies in Mexico. In Benna, Umar G. (Ed) Industrial and Urban Growth Policies at the Sub-National, National, and Global Levels, IGI Global

f) Kyari, A. K. (2018): Applicability of Islamic Tax System in Borno State of Nigeria. Kwararafa University Journal of Management Sciences, Vol. 4, No. 2

g) Kyari, A. K. (2017): Managing Urbanisation through Planned Government Expenditure: Evidence from Nigeria. In Benna, Umar. G. and Benna, I. Indo (Eds) Urbanization and Its Impact on Socio-Economic Growth in Developing Regions, IGI Global

h) Waziri, B. Z., Ahmed S.S., and Kyari, A. K. (2017): Sustainable Energy Policy Option: Strategies for the Utilisation of Renewable Energy for Nigeria. Journal of Management Studies, Vol. 12, No.1

i) Waziri, B. Z., Kyari, A. K. and Tahir, F. A. (2017). Oil revenue and budget financing: A strategy for sustainable revenue for Nigeria. Sokoto Journal of Management Studies, 12(2) pp. 139-155.

j) Kyari, A. K, Gulani, M. G. and Imam, A. (2013): Tax Avoidance and Evasion: A Motive for Creative Accounting Practice in Nigeria. Journal of Public Law, Vol. 3, August

k) Butu, A. I., Kyari, A. K. and Dauda, M. (2013): Deregulating the petroleum product pricing: the socio-economic and environmental implications. International Journal of Advancement in Management Science, Vol. 5, No. 2

l) Waziri, B. Z., Kyari, A. K. and Masud, A. (2012): Global Renewable Energy Consumption and Oil and Gas Export: An Empirical Analysis of the Nigerian Economy. The International Journal of Applied Economics and Finance, Vol. 6, Issue 4

m) Malgwi, A. A., Kyari, A.K. and Bukar, K. (2007): An appraisal of social service delivery in some selected local government area in Borno State of Nigeria. Almaharam Journal of Trans-Saharan Studies, Vol. 3, No. 2

n) Kyari, A. K., Kumshe, A. M. and Gubio, Z. D. (2003): Electronic Banking Service Delivery in Nigeria: Success and Challenges. Maiduguri Journal of Art and social Sciences, Vol. 1(1)

o) Kyari, A. K., Kida, M. I. and Kumshe, A. M. (2002): Human Resource Accounting: An overview. Sahel Analysts, Vol. 9 (2)

p) Kida, M. I., Okolo, H. and Kyari, A. K. (2000): Accounting Development, Systems and Practices: A global environmental comparative analysis. Sahel Analysts, Vol. 5 (1&2)

CONFERENCES/SEMINARS/COURSES ATTENDED

Attended over 100 conferences and seminars (presented in over 30) across Europe, Asia, Middle East and Africa. Notable among them are:

a) Financial Reporting and Business Communication Conferences
b) British Accounting and Finance Association (BAFA) annual conferences
c) Numerous ICAS/BAA Accounting and Finance Colloquium
d) PwC Saudi Arabia Zakat and Tax Update Seminar Series, Saudi Arabia
e) Institute of Chartered Accountants of Nigeria (ICAN), Annual Conferences
f) Association of Chartered Certified Accountants (ACCA) Annual conferences

g) Association for Budgeting and Financial Management (ABFM) Annual conferences
h) Annual Public Sector Transformation Conferences

REFERENCES

a) Dr. Faisal Al-Hudithi, Chair, Department of Accounting and Dean, College of Business Administration, Imam Abdulrahman Bin Faisal University, Dammam, Kingdom of Saudi Arabia
Email: faalhudithi@iau.edu.sa, Telephone +966552430003
b) Dr. Mahommed Kyari Dikwa, PhD, mni, Permanent Secretary (Special Duties), Federal Ministry of Finance, Nigeria
Email: babazulum@yahoo.com, Telephone: +2348066780222
c) Bunu Bukar, Director Expenditure Control, Office of the Accountant General, Borno State Ministry of Finance, Maiduguri, Nigeria
Email: bukarbunu50@yahoo.com , Telephone: +234 8039670905


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Social responsibility in B2B and its influence on long-term orientation through the trust
Analysis in oil and petrochemical industry

Abstract:

Study examined the effects of three aspects of corporate social responsibility (CSR) (i.e., quality, Awareness, Attributions) and the main factor in marketing concept (Trust) on organizational long-term orientations in oil and petrochemical industry. Based on survey data collected from suppliers working with SABIC in Saudi Arabia, the relationships were examined using confirmatory factor analysis, second-order factor analysis, and structural equation modelling. The results indicate that the quality of CSR Activities is related to organizational long-term orientations in oil and petrochemical industry with the trust as a mediating variable, suggesting that adding CSR programs is likely to improve desirable suppliers to build a strong relation with SABIC, which in turn contributes to increasing the length of the relationships. This study contributes to the literature by conceptually and empirically evaluating the quality of CSR activities and trust dimensions simultaneously in oil and petrochemical industry.

Key Words: B2B, Corporate social responsibility CSR, Trust, Long term orientations.

Introduction:

This paper highlights the relations in the context of marketing scientific research. many research streams are distinguished after a thorough analysis of scientific literature, i.e. development and maintenance of sustainable relationships with suppliers; suppliers' responses to corporate socially responsible activity; strengthening corporate reputation; identification whether CSR may affect the process of supplier's decision making, the preferences of suppliers; CSR integration into marketing activity; mmaintain supplier's trust and establish long-term relationships. Results of analysis show that there are different approaches to investigate the effect of CSR on corporate results. However, from the marketing perspective, intangible results, such as long-term relationships between company and suppler could be described as a major benefit for company which integrates CSR in corporate activity.

Recently oil and petrochemical business has been facing challenges conditioned by dynamic changes in economic, technological, political and social environments. according to this speed movement companies search for means to ensure stability and to achieve long-term results, the CSR consider as an important concept that contributes to the achieve that results .The significance of this concept began to be realized since according to Carroll's (1991, 1998) give his definition with four CSR dimensions has been commonly adopted: a company should (1) make goods or services for consumers to yield a satisfactory profit in the process (economic responsibility), (2) comply with laws and regulations stated by governments in its operations (legal), (3) meet expectations of stakeholders and protect them regardless if these activities are not codified into law (ethical), and (4) meet stakeholders' expectations on the company's engagement to enhance human welfare or good will (philanthropic) . The importance of CSR stems from the interest of the firm to integrate social issues in order to ensure sustainable development. This process is based on the belief that implementing CSR actions provides a better assessment of the activity and thereby an improvement of corporate performance in the long term (de la Fuente & de Quevedo, 2003; Devine & Halpern, 2001)[i] In addition, the company's engagement in socially responsible activity mitigates the consequences of economic crisis and helps to recover from it (Pirsch, Gupta & Grau, 2007)[ii] are confirmed by close relations between corporate social responsibility and sustainable development (Ellis & Bastin, 2011)[iii].

Literature review:

Before approaching the issue of the relationship between CSR and long-term orientation using trust as a mediator, we briefly discuss the concepts in accordance with the most relevant conceptual frameworks in the literature.

- ### Conceptualization of CSR:

Scientific discussions on the topic of CSR have been going on for more than five decades. There is no doubt that the works of (Carroll 1991, 1998, 2000), which define the structure of corporate socially responsible activity and are extensively analysed in subsequent studies, are considered to be the most significant sources of scientific literature that initiated the discussion about the decisions of CSR implementation in company's performance. Nevertheless, it should be noted that a lot of scientific works on CSR were to studies of CSR conceptualisation and estimation of its impact on corporate financial performance, the interest of marketing researchers in CSR mergetion into different areas of corporate activity served as an incentive for further development of CSR theory. but Despite the growing interest in this topic, there is still no general agreement on the precise meaning of CSR in B2B especially in oil and petrochemical industry.

literature appears that CSR in B2B especially oil and petrochemical companies are often engaging in CSR. For example, in 2011, the chemical company BASF invested €48.7 million solely for CSR activities outside its business operations in the form of philanthropic involvement (BASF 2012) and in 2018 SABIC invested $36.5

million in community giving (SABIC annual report 2018) with high profits due to forefront of engaging in CSR activates.) Christian Homburg, iVlarcel Stier!, & Torsten Bornemann in their conceptual framework demonstrated that CSR engagement has positive effects, thus providing B2B companies with a justification for an active commitment to CSR-related issues. Consequently, CSR has relevance for businesses in two ways. First and the main challenge for corporations is to connect with society in such a way that the positive public image of the company is maintained and enforced. Most companies have a certain track record when it comes to CSR as perceived by stakeholders and society through past history and actions. Since the company is depend on the society (where its customers and other stakeholders are), this track record should be protected and to the extent possible enhanced. Activities and actions directed at this objective can be labeled CSR enforcement. Second, whereas building and enforcing the level of CSR is a continuous long-term activity, the CSR reputation of the company can be severely affected by sudden critical events (i.e. CSR critical incidents)

Now SABIC as the largest oil and petrochemical company in the world has completed attention to social responsibility and the mission is backed by promise to the communities that serve and supported by these foundation principles:

- Commitment to develop long-term mutual beneficial partnerships with our communities.
- Work with and respect different cultures, values, traditions and preferences of our communities.
- Deliver CSR projects and programs in a way that bring both social and economic benefits to SABIC and its communities.
- Develop CSR programs with a sustainable approach without creating dependency.
- Monitor and measure, where possible, the outcomes of CSR programs and

identify areas of improvement for continued enhancement.

- Share information about our performance and activities that have a major impact on our communities.

- ## The importance of long-term Orientation:

To achieve competitive advantage through a strong and long relation with the suppliers in the future, companies with a long-term orientation often engage in activities that do not necessarily generate immediate revenues, such as investing in R&D and CSR (Brews and Purohit, 2007; Grant, 2003)[iv].

Long-term effectiveness efficiency may not be mutually exclusive, its often reflect different strategic priorities and require different organizational processes (Hamel and Prahalad, 1989,1994)[v].

In addition, companies with a long-term orientation can gain supplier's trust by making strategic decisions that better realize the benefits of CSR activities. A long-term orientation widens the company's field of vision, which enables the company to recognize the potential value of on economic revenues. As a result, companies with a long-term orientation tend to choose a strategy that will emphasize continuous innovation in the CSR activates.

(Hamel and Prahalad, 1989, 1994) argues that companies with a long-term orientation encourage the development of strategic resources that do not offer explicit short-term value allowing these companies to identify implicit value from complex suppliers’ relationships built from CSR activities, as a result, CSR may attenuate negative impacts of reputation of the companies thus, can build a strong bridge with suppliers from CSR activities.

- ## Trust:

The literature in this field shows that trust is a prerequisite for the creation and preservation of long-term relationships between the company and its suppliers (Kantsperger & Kunz, 2010; Morgan & Hunt, 1994)[vi], mainly in oil and petrochemical industry. (Reichheld and Schefter 2000)[vii] observe that to win suppliers' loyalty, firms must first win their trust. In fact, it is one of the key elements associated with service recovery (Choi & La, 2013)[viii] and it can be an important factor in suppliers' purchasing decisions. Furthermore, some studies find that trust is a strong determinant of loyalty and influences not only the outcomes such as a, commitment but also the processes of the relationship, such as the quality of the interaction (Hikkerova & Sahut, 2014; Moorman, Zaltman, & Deshpande, 1992)[ix]. Trust in a service provider is highly related to perceptions of service provider's integrity, honesty, confidentiality, and ethicality (Coulter and Coulter, 2002) [x] positive perceptions of CSR give rise to the favourable appraisal of consuming and favourable attitudes to companies (Sen & Bhattacharya, 2001)[xi]. Thus, companies that implement socially responsible practices obtain a higher degree of commitment from their customers and from society in general, and at the same time increase suppliers' trust. In this context, numerous studies have attempted to discover whether CSR activities contribute to improving the organization's efficacy through satisfaction with or trust in the organization (Hansen, Dunford, Boss, Boss, & Angermeier, 2011; Valentine & Fleischman, 2007)[xii]. The results of a survey of CEOs at the Business Roundtable Institute for Corporate Ethics (2004)[xiii] indicate that one of top issues in corporate ethics is related the need to regain customers trust. Consistent with the survey results, (Paine 2000)[xiv] states that adherence to ethical standards especially in the activates of CSR provides the basis for trust, helps to build reputation, and it's important to maintain the relationships to meets a future vision. In a similar line, quality and awareness of CSR activates has a positive impact on customer trust in the firm. The effectiveness of CSR activities is often very difficult to measure on the long term. So, the customer perceptions that a company is socially oriented are associated with a higher level of trust in that company and its products.

Furthermore, (Mobin Fatma 2014)[xv] provide a conceptual framework for CSR and trust in corporate relationships, arguing that CSR affect trust. Hence, we propose that the aspect of perceived CSR has a positive impact on customer trust in the oil and petrochemical companies. Therefore, we hypothesize that:

H1: CSR Quality has a direct significant effect on long-term orientation

H2: CSR quality has a significant effect on trust

H3: Trust has a significant effect on long-term orientation

The mediating effects of supplier's trust:

Major reviews of CSR-long term orientations relationship agree that reputation and supplier's trust relate positively to long term orientations. We cannot ignore the fact that a positive relationship has been found between supplier's trust and reputation (Walsh et al., 2006, 2009; Wang et al., 2003)[xvi]. The reputation is the key reason for this relationship and its core, is a result of past actions that demonstrate to stakeholder's information about how well a company meets its commitments and conforms to their expectations (Brown and Logsdon, 1999)[xvii]. As such, when developed well, reputation becomes one of a firm's most strategic resources (Flanagan and O'Shaughnessy, 2005)[xviii]. Further, Nguyen and Leblanc (2001)[xix] argue that a positive reputation is one of the most reliable indicators of whether or not a firm's customers are satisfied.

The reputation of the company in the scope of our research comes through the effective awareness of suppliers about the activities of social responsibility and the quality of these activities plus their trust.

Therefore, as trust strength increases, the positive relationship between CSR and long-term orientation (Hypothesis 3) will increase in its magnitude, if CSR activates is strong enough. but differently, A trust can be considered a positive factor that alters or reverses the relationship between CSR and long-term orientations. The relationship between CSR activities and long-term orientation is positively moderated by trust between companies and suppliers.

H4: Trust plays a significant role as a mediator factor between CSR Quality and long-term orientation

Research methodology:

- ### Conceptual Framework:

Figure1: The influences of CSR and trust on long-term orientation

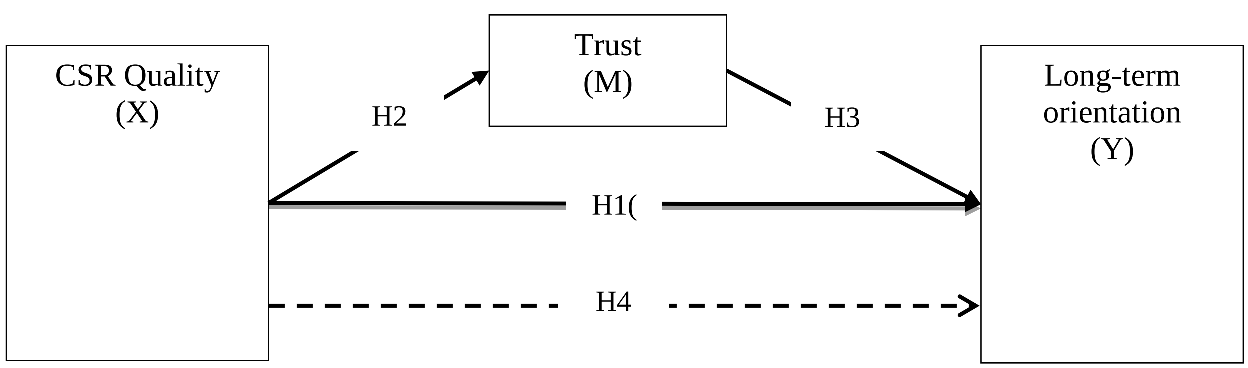

Figure1: Shows a path diagram for the causal relationships between the three variables CSR, trust and long-term orientation. In mediation models that consist of one independent variable, one mediator, and one final outcome variable, the effect of the independent variable CSR (X) on the final outcome variable long-term orientation (Y) can be divided into two effects: the

direct effect H1; and the indirect effect H4, which is the product of the direct effects H2 (CSR Quality – Trust) and H3 (Trust – Long term orientation).There are two types of mediation: partial mediation occurs when the direct effect H1 is different from zero and the same sign as the mediating effect (H2,H3); complete mediation occurs when the direct effect H4 is not substantial in size (Baron & Kenny, 1986)[xx] In addition, the model includes several variables of control that have proved to be important in this process. such as: sector's activity of the suppliers, companies' size, the contractual relationship with SABIC and the country of origin. The relationship of variables of control with CSR, trust and long-term orientation in the sense theoretically expected provide consistency and validity to the model. (Table1)

Table 1. Demographic and suppliers -related variables considered in the research.

Variables	**Percentage (%)**
Sector's activity	
Primary sector (include agriculture, mining, forestry	4.51
Secondary sector (include metal working and smelting, automobile production	68.31
Tertiary sector includes retail and wholesale sales, transportation and distribution	18.4
Quaternary sector includes government, culture, libraries, scientific research, education	8.78
Country of Origin	
Europe	30.7
USA	21.4
Asia	23.0
MENA	24.9
Number of employees	
<2000	31.1
<5000	58.1
<10,000	10.8
Duration of the contract	
0-5 years	19.7
6-10 years	23.6
11-20 years	33.1
Greater than 20 years	23.6

- ## Measurement development:

Measures of constructs were developed and adapted on the basis of extant literature (the scale items are listed in the appendix) we drew on the studies of (Lankoski 2009, Wagner, Lutz, and Weitz 2009) to measure the CSR dimensions. In addition, trust measures were adapted from (Sanzo et al. 2003) Which is conceptualized and measured in different ways and, covers diverse aspects, such as credibility, trustworthiness, honesty and benevolence. We measured long-term orientation that was validated in prior research (Miller and Friesen, 1982; Venkatraman, 1989).

- ## The Sample:

We start with communication with the CEO's office to build a partnership between SABIC and Lille university to make this partnership as a good source to build mutual benefits from this study.

This study with the survey content is aligned with the PhD topics and tailor-fitted to SABIC partners' businesses and collaborations and their experience with SABIC, they received a clear and professional questionnaire with 300 questioners in the field of branding and CSR, the feedback received from more than 46 different countries in different regions (Europe, America, Africa and Asia).

We received a huge bulk of data from SABIC global partners, we then injected it to the AMOS engine to receive a different variable report, this is to measure the relationship using different parameters (branding, CSR, Business growth and reputations). All of the measures used in this study were drawn from existing literature and adapted to the context of the current study. The measurement scales were 7-point scale ranging from 1 (Strongly Disagree) to 7 (Strongly Agree). Therefore, using a survey to collect data for new ventures' long-term orientation and financial performance was not only practical but also appropriate.

Steps:

1. Get Directions from the mentor.
2. Obtain Approval from the SABIC CEO.
3. Ask Guidance from the SABIC CC VP.
4. Secure a Commitment from the SABIC CSR Director.
5. Review the contents with the SABIC CSR Specialist and Legal department.
6. Get an Agreement from SABIC P&SC GM.
7. Release the survey by SABIC P&SC Planner.
8. Receiving the feedback and collecting the data.
9. Use the SPSS (Amos) software to analyse the collected data.

- ### Measures:

Based on the chosen literature, we selected measurement items that appropriate for the present study. We utilized measurement items used in the existing literature. Either the exact measurement items presented in previous research were used, or they were adjusted as necessary to measure the latent constructs. All measures used are shown in Appendix. The suppliers were asked to respond using a seven-point Likert scale ranging from 1 (strongly disagree) to 7(strongly agree).

- ### Data Analysis:

The covariance-based estimation methods are more appropriate in situations where the theoretical knowledge is solid and the research aim is to extend development and evaluation of the theory. In contrast, when the theoretical knowledge is scarcer such as our study the research goals are predictive and the model to estimate is more complex, the AMOS technique is considered more appropriate. The main reason for using AMOS is, therefore, to find out whether the theoretical concepts are measured correctly through the variables observed.

We used the mediation in our model when an independent variable affects an outcome variable through a third variable, called mediator which is trust, so trust consider as a main concept in business takes part in many mediating relationships.

- ## Model Fit:

The measures of absolute fit of the model estimated present values within the recommended limits. The study used confirmatory factor analysis (CFA) to verify the measurement model. The hypothesis of adequacy between the proposed model and the data used is supported. Moreover, the results obtained from the incremental fit measurements are also acceptable since the value.

First order:

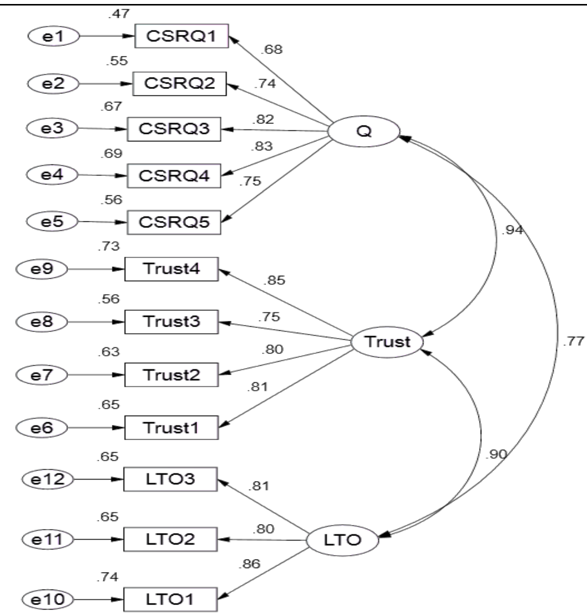

Figure2: Confirmatory Factor Analysis (**First order**)

Table 2:

CFA Fit Indices (First order)				
Categories of Model Fit	**Name of index**	**Level of acceptance** **Reference [(1) & (2)]** **Zainudin (2012) & Hair et al (2010)**	**Fit Indices**	**Result**
Absolute Fit	Chi-Square ($\chi 2$)	P-value more than 0.05	.000	Acceptable in the case of sample size is large (normally more than 200) **Zainudin (2012)**
	RMSEA	Less than 0.08	.083	***Poor fit***
	GFI	More than 0.90	.918	Good fit
Incremental Fit	AGFI	More than 0.90	.875	***Poor fit***
	CFI	More than 0.90	.967	Good fit
	TLI	More than 0.90	.956	Good fit
	NFI	More than 0.90	.948	Good fit
Parsimonious Fit	$\chi 2$/df	Less than 3.0	3.059	***Not a unique model***

From the (Table2), the results of the first analysis of the global empirical analysis show CFA (first Order)

[1] Awang, Zainudin. "A handbook on structural equation modeling using AMOS." (2012).
[2] Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate data analysis* (7th ed.). Upper Saddle River, NJ: Pearson Prentice Hall.

The RMSEA value is .083 higher than 0.08، while the AGFI value 0.875 lower than 0.90، in addition χ2/df valued by 3.059 higher than 3.0، based on (Zainudin hair et al 2010) opinion We found that this module is not applicable with Poor Fit module ،this requires an improvement of the model by revising modification index. These values can be explained on below table.

Table3:

Modification Indices (First order)				
			M.I.	Par Change
e10	<-->	***e9***	***27.366***	***.117***
e8	<-->	e5	18.913	.231
e8	<-->	e10	13.501	-.127
e7	<-->	***e8***	***20.746***	***.198***

From the previous result (Table3), the values of the covariance between (e10 and e9); and (e7 and e8) are relatively high. This cause poor fit for the model, so If the covariance between e7 and e8 as a free parameter are treated, the discrepancy will fall by at least 20.746.

From the other side, the covariance between e10 and e9 is related to two different variables (Trust and Long-term orientation). Therefore, covariance between e10 and e9 can’t be treated. So, by dispensing the factor Trust4, the discrepancy will fall by at least 27.366.

Second order:

In the second order model modifications were done as a process for enhancing the model fit. The second order of CFA will be illustrated as follow:

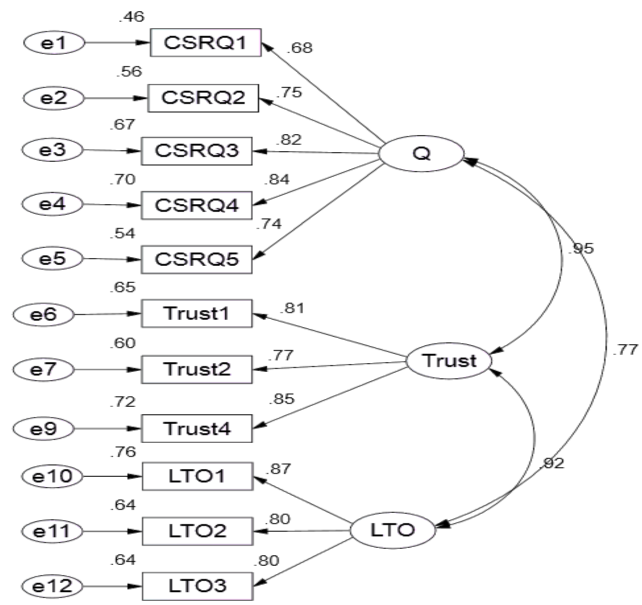

Figure 3: Confirmatory Factor Analysis (**second order**)

Factor loadings: Correlation between the original variables and the factors, and the key to understanding the underlying nature of a particular factor. And its describes how variance (R2) is accounted for by the latent variable (Wang, Jichuan, and Xiaoqian Wang2012)[xxi].

The Quality factor loadings were more than 0.5, which were (0.68, 0.75, 0.82, 0.84, and 0.74) in sequence. On the other hand, the Trust factor loadings were also more than 0.5, which were (0.81, 0.77, and 0.85) in sequence. Similarly, the Long-

Term Orientation factor loadings were also more than 0.5, which were (0.87, 0.80, and 0.80) in sequence.

Table4:

CFA Fit Indices (second order)				
Categories Of Model Fit	**Name of index**	**Level of acceptance [3]**	**Fit Indices**	**Result**
Absolute Fit	Chi-Square ($\chi 2$)	P-value more than 0.05	.000	Acceptable in the case of large sample size (normally more than 200) **Zainudin (2012)**
	RMSEA	Less than 0.08	.065	Good fit
	GFI	More than 0.90	.947	Good fit
Incremental Fit	AGFI	More than 0.90	.915	Good fit
	CFI	More than 0.90	.977	Good fit
	TLI	More than 0.90	.969	Good fit
	NFI	More than 0.90	.959	Good fit
Parsimonious Fit	$\chi 2$/df	Less than 3.0	2.273	Unique Model

The absolute fit

is the acceptance guide for the model that determines the validity of the model and its suitability for research, and the most important used in this test is:

- P-value for Chi-Square ($\chi 2$) which is should be > 0.05
- The root means square error of approximation RMSEA which should be < 0.08
- Goodness of Fit Index (GFI) which is should be > 0.09

The results in (table 4) indicate that absolute fit acceptance factors were represented in:

- P-value for Chi-Square ($\chi 2$) = .000 and it suppose be > 0.05 but (Zainudin 2012) Indicates that in the presence of a large sample sizes in our search (300 sample) it is possible to accept this value because it is less than 0.001 .
- Root mean square error of approximation (RMSEA) = 0.056
- Goodness of fit (GFI) = .947

[3] Awang, Zainudin. "A handbook on structural equation modeling using AMOS." (2012), Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). Multivariate data analysis (7th ed.). Upper Saddle River, NJ: Pearson Prentice Hall.

Based on the three factors we can say that the Absolute Fit is acceptable for the model.

Incremental Fit:

This analysis indicates the increasing acceptance of the general framework of the study and the most important concepts in this test is:

- Adjusted Goodness of Fit Index (AGFI)
- The Comparative Fit Index (CFI)
- The Tucker-Lewis Coefficient (TLC)

Which all of them should be higher than 0.9.

AGFI	CFI	TLC	NFI
.915	.977	.969	.959

Based on these results we can say that the Incremental Fit is also suitable for the study.

Parsimonious Fit

This section indicates that the model is fully accepted at the level where the value of ($\chi 2/df$) lower than 3.0 ، and from the previous Table ($\chi 2/df$) reached to 2.273 which is the minimum discrepancy and therefore we can say that the Parsimonious Fit is the most acceptable category for the study.

Structural model analysis:

In the structural analysis of the model, the modeling analysis was used in the structural equation modeling between the three variables (quality, confidence, long-term trend) as shown in the below figure4.

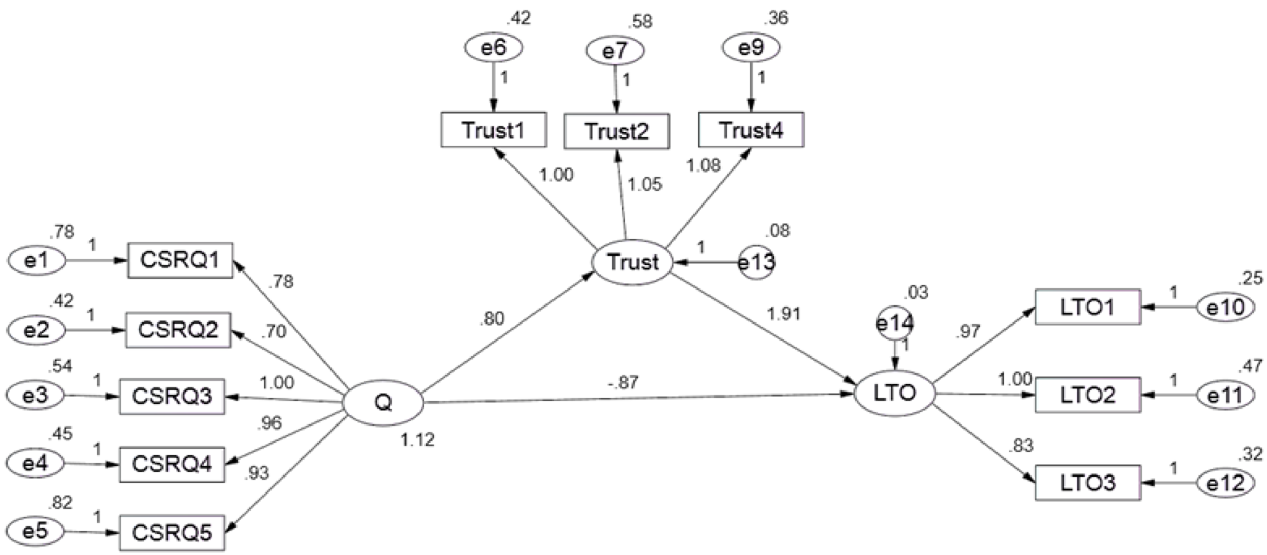

Figure 4: Structure equation modeling

H1 test: CSR has a direct significant effect on long-term orientation

In order to test this hypothesis, we relied on the analysis of the structural equation modeling. The results of the test were as follows:

	Regression Weights				Standardized Total Effects	
	Estimate	S.E.	C.R.	P	Estimate	P
CSR ---> LTO	-.865	.382	-2.262	.024	.769	.014

Where the P value = .024, which is less than 0.05, which indicates rejection of the null hypothesis and acceptance the alternative hypothesis that indicates that CSR has a direct effect on long-term orientation, however the increase of one unit in CSR lead to change in LTO by (-.865).

According to the Standardized Total Effects, the dependent variable LTO effected significantly by (.769) for each increment by one unit in independent variable CSR.

H2 test: CSR quality has a significant effect on trust

In order to test this hypothesis, we relied on the analysis of the structural equation modeling. The results of the test were as follows:

	Regression Weights				Standardized Total Effects	
	Estimate	S.E.	C.R.	P	Estimate	P
CSR ---> Trust	.798	.053	15.135	***	.946	.005

Where the P value = .000, which is less than 0.05, which indicates rejection of the null hypothesis and acceptance of the alternative hypothesis that indicates a direct effect that CSR has a significant effect on Trust ، however the increase of one unit in CSR lead to change in Trust by (.798).

According to the Standardized Total Effects, the mediator variable Trust affected significantly by (.946) for each increment by one unit in independent variable CSR.

H3 test: Trust has a significant effect on long-term orientation

In order to test this hypothesis, we relied on the analysis of the structural equation modeling. The results of the test were as follows:

	Regression Weights				Standardized Total Effects	
	Estimate	S.E.	C.R.	P	Estimate	P
Trust ---> LTO	1.914	.469	4.083	***	1.873	.006

Where the P value = .000, which is less than 0.05, which indicates rejection of the null hypothesis and acceptance of the alternative hypothesis that indicates a direct effect that Trust has a significant effect on LTO ، however the increase of one unit in Trust lead to change in LTO values by (1.914).

According to the Standardized Total Effects, the dependent variable LTO affected significantly by (1.873) for each increment by one unit in mediator variable Trust.

H4 test: Trust plays a significant role as mediator factor between CSR quality and Long-term Orientation

In order to test the mediator variable Trust we have to test the direct and indirect effect between CSR and LTO and the results of the test were as follows:

	Standardized Indirect Effects					
	Q		Trust		LTO	
	Estimate	P	Estimate	P	Estimate	P
Trust	.000	...	.000	...	.000	...
LTO	1.772	.005	.000	...	.000	...

The results show a significant indirect effect between the independent variable CSR and dependent variable LTO.

Where the P value = 0.005, which is less than 0.05 which indicate the indirect effect of the trust by (1.772) however the increase of one unit in CSR will increase indirectly on LTO by (1.772) based on the Trust.

Since the relationship between the independent CSR and the dependent LTO variable was significant (P=0.024) (first hypothesis) this means that Trust plays a partial mediation role the relation between the independent and the dependent variables.

Conclusion:

This study contributes to the literature both theoretically and empirically, since the aim of our research was to shed new light on the relationship between CSR and trust, long term orientation, analyzing the mediating role of trust. Additionally, it suggests a series of actions that oil and petrochemical companies (SABIC) follow in order to increase the positive effects of these variables. Our reasons for pursuing this goal were twofold: first, because of the importance of relations in oil and petrochemical companies, and second, because of the importance of CSR activates in this industry. Moreover, this study makes several contributions to the literature on CSR and suppliers' trust. Suppliers' awareness of social and environmental issues has been increasing (Brown and Dacin, 1997; Luo and Bhattacharya, 2006)[xxii], suggesting emerging opportunities that can be pursued through CSR activities. in turn, enhances customer loyalty to firms (Gundlach and Murphy, 1993)xxiii. Previous research reported that CSR influence consumer product responses , customer-company identification (Sen and Bhattacharya, 2001)[xxiv], customers' product attitude, and even a firm's market value (Luo and Bhattacharya, 2006)[xxv]. For this reason, oil and petrochemical companies carry out or source market research, undertake surveys, and analyze complaints in order to identify their suppliers' needs and satisfy them to the best of their abilities. However, despite the recognized importance of CSR and its effects on the development of trust with suppliers, the impact through trust continues to receive little research attention. Indeed, the existing literature focuses on the direct effects of CSR on the supplier's trust, but to a large extent ignores the indirect effects of and between these variables.

From a practical perspective, suppliers are believing that responsible companies operate honestly in their CSR activities are more willing to contract with companies that develop socially responsible initiatives. Therefore, a CSR approach provides an efficient tool with which to increase the trust between companies and their suppliers. Therefore, our findings do suggest that long-term orientation in oil and petrochemical companies help to potential fuel new CSR activities, offers the opportunity to light on it and improving our understanding of the conditions and contexts that will allow business and relations to work perfectly. In addition, our result suggest that trust plays an important role as a mediating variable in CSR and long-term orientation. Finally, we demonstrate that while research on the direct relationship between CSR activities and trust could be useful a business case for CSR can be built on a different way as the companies can assessed their business performance by correlate with CSR.

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فعالية حوكمة الشركات العائلية ومتطلبات رؤية ٢٠٣٠ للتنمية المستدامة للمملكة العربية السعودية

بحث مقدم للمشاركة بالمؤتمر الدولي

عن حوكمة الشركات المنعقد في المملكة العربية السعودية-الرياض

جامعة الملك فيصل

بتاريخ يوم ٢٠١٩/١٢/٩

من الباحث

دكتور: معز عثمان عمر علي - أستاذ القانون التجاري المساعد

بكليات الخليج للعلوم الإدارية و الانسانية حفر الباطن

فعالية حوكمة الشركات العائلية ومتطلبات رؤية ٢٠٣٠ للتنمية المستدامة للمملكة العربية السشعودية

دكتور معز عثمان عمر علي - استاذ القانون التجاري المساعد

بكليات الخليج للعلوم الانسانية والادارية حفر الباطن

ملخص

حرص المملكة العربية السعودية على مراجعة قوانينها التجارية بشكل عام وعلى قانون الشركات بشكل خاص حرصا منها على مواكبة التطور الاقتصادي الحاصل لإعطاء المرونة لتلعب الشركات العائلية دورا مهما في نهضة الاقتصاد للدولة، لذلك ومن منطلق تلك الأهمية لأسواقها التجارية.

وقد كان ينظر لفكرة إنشاء الشركة على أنها عقد يتم إنشائه بناء على توافق إرادة الشركاء، الا أن تلك الفكرة التقليدية قد حلت مكانها نظرة حديثة تقوم على فكرة إنشاء الشركة كنظام قانوني متكامل يتكون من مجموعة من القواعد التي تنظم وتحكم العلاقة بين الشركاء بهدف تحقيق الغاية، والغرض المرجو من انشاءها ، بما يعرف بحوكمة الشركات

واهم النتائج وضعنا عهدا وميثاقا قانونيا بين افراد العائلة الواحدة ، قمنا بتهيئة افراد العائلة لبناء شركة تساهم في الروية المستقبلية للمملكة العربية السعودية، اسسنا رؤية رقابية للمخالفات الجنائية والتجارية واسس منع التستر في نطاق مسؤولياتها،

يوصي الباحث باستعانة الشركات بكوادر ذات مقدرة في توفير تطبيق معاييرالحوكمة للشركات الاسرية، وقد أعطت جدية افراد الشركة العائلية بأهمية الحوكمة، والتوعية المجتمعية بالحوكمة

الكلمات الافتتاحية : الحوكمة، الشركات العائلية، الشركاء، المسئولية، إدارة الشركة

The Efficiency of Family Business Governance and the Requirements of Vision 2030 of Sustainable Development of the Kingdom

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Abstract

The Kingdom of Saudi Arabia is keen to review its commercial laws in general and the companies law in particular, in order to keep pace with the economic development taking place to give flexibility to family companies play an important role in the renaissance of the economy of the state, and therefore out of that importance their commercial markets. The idea of establishing the company was seen as a contract to be established at the will of the partners, but this traditional idea has been replaced by a modern view based on the idea of establishing the company as an integrated legal system consisting of a set of rules that govern and govern the relationship between the partners in order to achieve the goal, The purpose of its establishment, known as corporate governance. The most important result we have prepared family members to build a company that will contribute to the future vision of the Kingdom of Saudi Arabia. The researcher recommends the use of companies with cadres capable in providing the application of governance standards for family companies, has given the seriousness of the members of the family company the importance of governance, and community awareness of governance

Key words: Corporate Governance, Family Business, Partners, Responsibility, Corporate Governance

مقدمة

تعتبر الشركات التجارية بوجه عام ، والشركات العائلية بصفة خاصة لكثرتها ودورها المتعدد بنشاط السوق الخدمي والتجاري والصناعي، في الدولة لانها تمثل الإطار القانوني المنظم للجهود والأنشطة والأموال الخاصة ، ووسائل دورها في اثراء التوازن الاقتصادي لموجهات رؤية المملكة نحو التنمية المستدامة سواء بسواء مع شركات الاموال .

وبصفة عامة حوكمة الشركات، من الاتجاهات ذات الأهمية في ضبط تجاوزات المخالفات الجنائية والتستر والانتهاكات المالية سواء لأعضاء الشركة والمحافظة على مصالحهم ، والمحافظة على التوازن الاقتصادي والمالي للدولة، وفق المعايير الكلية (للحكومة) وسوف تنصب دراستنا على نوع الشركات التي تكون محلاً للحوكمة ، وهي الشركات العائلية لأهميتها المتعددة في التنمية المستدامة، وقد تركزت جهودنا في هذا الجانب لما لشركات الاشخاص من اهمية مشتركة بموضوع الحوكمة على إدارة الشركة العائلية، بحيث من الممكن أن تخضع إدارة الشركة إلى نوعين من الحوكمة ، الحكومة الداخلية والحوكمة الخارجية ، لذلك فقد اثرنا تناول الحوكمة الخارجية على إدارة الشركة العائلية.

ولا يخفى علينا الخطى المتسارعة في اتجاه حوكمة الشركات بالاهتمام الواسع من قبل الباحثين المتخصصين في مجال القانون التجاري ، نظراً لاعتبارها أحد الحلول الممكنة لمشكلة الوكالة التي تنشأ بين إدارة الشركة باعتبارها وكيلاً عن الشركاء الاخرون في اطار العائلة، حيث تناول العديد من الباحثين هذا الموضوع في محاولة منهم لتطبيق موضوع الحوكمة على اداء الشركات المالي .

تتركز مشكلة الدراسة: وفق إطار التساؤل الرئيس : ما دور الشركات العائلية في التوازن الاقتصادي بالتنمية المستدامة في المملكة ؟

هدف الدراسة : تهدف هذه الدراسة الى ابراز فعالية دور السلطات والصلاحيات ذات الصلة في ممارسة الاشراف والرقابة على تفعيل و تطبيق آليات الحوكمة على ادارة الشركات العائلية وسلطتها اتجاه : أ – التأكيد على مرجعية سلطات اذرع الدولة في تنزيل اليات الرقابة على ادارة الشركات الاسرية ب – حقيقة سلطات الشركاء المتضامنون والموصون بالشركات الاسرية ج – أهمية المراجعة القانونية للمحاسبة الخارجية لإبراز فعالية ادارة الشركة العائلية

اهمية الدراسة : تكمن اهمية الدراسة في موجهات رؤية ٢٠٣٠ للملكة العربية السعودية لبناء الثقة المالية لأحداث التوازن الاقتصادي بين الدولة والافراد ، بوضع الدور الرقابي والضوابط ذات الصلة . على ادارة الشركة العائلية ، ووضع ميثاقاً اسرياً غليظاً يحتوي حقوق وواجبات افرادها بالشركة العائاية.

منهج الدراسة المتبع : اعتمد الباحث المنهج الوصفي ، وتحليل اراء الفقهاء بهذا الصدد ، وما تثيره النصوص القانونية ذات الصلة بموضوع البحث. وكذا المواقع الالكترونية المعتمدة.

وسوف تقسم دراستنا الى مبحثين على النحو التالي:

المبحث الأول : مفهوم الحكومة وأهمية رقابة الدولة على إدارة الشركة العائلية

المبحث الثاني: رقابة الشركاء على ادارة الشركة ودور المراجع الخارجي في الرقابة

اخرا : النتائج والتوصيات: النتائج : من خلال دراستنا اتضح لنا اننا وضعنا عهدا وميثاقا قانونيا بين افراد العائلة الواحدة ، قمنا بتهيئة افراد العائلة لبناء شركة تساهم في الروية المستقبلية للمملكة العربية السعودية، اسسنا رؤية رقابية للمخالفات الجنائية والتجارية واسس منع التستر في نطاق مسؤولياتها، وكذلك اسس حماية الاجور بين منسوبيها من خلال، ادراك ابعاد موجهات التنمية المستدامة لرؤية المملكة ٢٠٣٠. **واتت الدراسة بتوصيات** : اهمها، استعانة الشركات بكوادر ذات مقدرة في توفير تطبيق معاييرالحوكمة للشركات الاسرية، وقد أعطت جدية افراد الشركة العائلية بأهمية الحوكمة، والتوعية المجتمعية بالحوكمة التي تساعد على تفعيل مصلحة الاشخاص وحقوقهم بالشركات العائلية .

المبحث الأول

مفهوم الحكومة وأهمية رقابة الدولة على إدارة الشركة العائلية

وفق اطارالتشجيع المستمر للدولة للتوسع في النشاط التجاري بالسوق الخدمي والتجاري والصناعي، فقد برزت الاتجاهات المتعددة لضبط هذا التوسع الكمي لحماية حقوق الشركاء بالعائلة الواحده لمصالحهم وفق اطار الحوكمة العامة للشركات التجارية واهميتها سوف نستعرض مايلي :

المطلب الاول

مفهوم حوكمة الشركات واهميتها

وفقاً لتعريف حوكمة الشركات من قبل منظمة التعاون الاقتصادي والتنمية (OECD) ، بأنها مجموعة من العلاقات التعاقدية التي تربط بين القائمين على إدارة الشركة ، ومجلس الإدارة ، وحملة الأسهم وغيرهم من أصحاب المصالح. وذلك من خلال إيجاد الإجراءات والهياكل التي تستخدم لإدارة شؤون الشركة، وتوجيه أعمالها، من أجل ضمان تعزيز الأداء، والإفصاح والشفافية والمساءلة بالشركة ، من خلال التوجه نحو تحقيق مصلحة جميع الأطراف[1]

اما مفهوم الحوكمة من الناحية التشريعية ، فلم يلوح في الأفق أي نص تشريعي يشير بشكل صريح الى تعريف حوكمة الشركات، بينما يمكن استدراك ذلك من متن النصوص القانونية لقانون الشركات السعودي وتعديلاته لسنة ١٤٣٧هـ، حيث جاء بنص المادة (١٢٠) منه فيما يتعلق باتخاذ الاجراءات المناسبة لمراقبة الشركات، ونصت بالاتي : (مع مراعاة ما ورد في المادة (التاسعة عشرة بعد المائتين)[٢]، للجهة المختصة حق الرقابة على الشركات فيما يتعلق بتطبيق الأحكام المنصوص عليها في النظام أو في عقد تأسيس الشركة ونظامها الأساس، بما في ذلك صلاحية التفتيش على الشركة وفحص حساباتها وطلب ما تراه من بيانات من مجلس الإدارة أو مديري الشركة وذلك بوساطة مندوب أو أكثر من منسوبيها أو من خبراء تختارهم لهذا الغرض.(حيث الزم القانون جميع الشركات بالتقيد بأحكامه، ومراعاة عقود تأسيسها وأنظمتها الأساسية، ونشرة الإصدار وتطبيق القرارات التي تتخذها هيئاتها العامة ، وللوزير والمراقب اتخاذ الإجراءات التي يريانها مناسبة لمراقبة الشركات، للتحقق من تقيدها بتلك الأحكام والعقود والأنظمة والقرارات وتشمل الرقابة بشكل خاص فحص حسابات الشركة وقيودها ، والتأكد من التزام الشركة بالغايات التي أُسست من أجلها) .

من خلال ما تقدم فقد لاحظنا ان المشرع السعودي الزم كافة الشركات التقيد بأحكامه ،بما في ذلك شركات الاشخاص (الشركات العائلية) فيما يتعلق بعقود تأسيس الشركات ونظامه الأساسي وأيضاً قيد للشركة بتطبيق قراراتها وفقاً لأحكام القانون، وكذا لم يكتفي القانون بهذا التقييد بل أعطيت صلاحية التفتيش لمن يكلف بذلك وحق مراقبة الصلاحيات باتخاذ ما يلزم من إجراءات للتحقق بمدى التزام الشركة بغايات تأسيسها.

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[1] Demirag, I S., and M. Wright “Corporate Governance: Overview and Research agenda” , British Accounting Review, 2000.

[٢] راجع المادة التاسعة عشرة بعد المائتين من قانون الشركات السعودي لعام ١٤٣٧هـ

المطلب الثاني

أهمية رقابة الدولة على إدارة الشركة العائلية

من اسباب الفساد والتجاوزات في الشركات العائلية كثيرة واحيانا معقدة في المجال الاداري والمالي , حيث ان الفساد دائما يظهر عندما تتوفر له بيئة خصبة تتوفر فيها عدة عوامل ادت الي نموؤه واستشرائه داخل كيان الشركة ونجد ان العوامل الرئيسة المؤدية الي ذلك هي :

- غياب الوعي الاداري المتمثل في الرقابة الجيدة لكل مفاصل العمل
- سؤ اختيار الكادر المسير للعملية الادارية والمحاسبية
- اهمال المعيار الأخلاقي عند القيام بعملية الاختيار والتعيين
- الخلط المقصود وغير المقصود بين الصلاحيات الممنوحة وحدود استخدامها.
- الخلط المقصود وغير المقصود بين الملكية والشراكة وتوكيل الفرد لإدارة حقوق مجموعة معينة (اخوة - شركاء-مساهمين).

وعلى هذا جاءت أهمية الحوكمة من عدة جوانب، منها تحقيق مبدأ تكافؤ الفرص بين الاعضاء المساهمين في الشركة العائلية، ابتدأ من مجلس ادارة الشركة وصولاً الى العاملين فيها. إضافة الى توفير كافة وسائل الحماية لأموال الشركاء، بما يحقق الأمن والطمأنينة لديهم. حيث يمكن اعتبار حوكمة الشركات الوسيلة المهمة التي تمكن المجتمع من التأكد من أن ادارة الشركات تسير في طريق صحيح ضماناً لحماية أموال المشاركين والمقرضين (الدائنين)، اضافة الى الحد من تغلغل الفساد وسوء الإدارة حيث أن ذلك له الارتباط والصلة الوثيقة بالمجتمع[٣].

وعليه برزت اهمية علاج هذا القصور وطرق العلاج:

- الدراسة والتعلم والتدرب علي كافة الاساليب والخطط والمناهج الادارية والاستعانة باللوائح المنظمة من قبل الجهات المناط بها هذا الدور.
- فصل الادارة عن الملكية في حال تبين ضعف الملاك في الادارة الصحيحة
- التدقيق في عملية اختيار الكادر المناسب واللجوء لمكاتب متخصصة في حال لم تتوفر للمؤسسة القدرة علي الاختيار السليم.
- التشدد في مسالة التدقيق بالمعيار الأخلاقي واعطائه الاولويه عند الاختيار .
- تحديد الصلاحيات بدقة متناهية
- الفصل وتحديد المهام ايضا في حالة تم توكيل شخص معين لادارة حقوق مجموعه معينة
- اخيرا وليس اخرا الرقابة المؤسسية .

وعلى هذا السياق اتت اللوائح المنظمة من الجهات ذات الصلة بالمملكة العربية السعودية ومنها على سبيل البيان :

- نظام الشركات السعودي وتعديلاته ٢٠١٥/١١/١٠ واخر تعديلاته ٢٠١٩/١١/٤ وتضمن النظام: أحكام عامة، شركة التضامن، شركة التوصية البسيطة، شركة المحاصة، شركة المساهمة، الشركة ذات المسؤولية المحدودة، الشركة القابضة، تحويل

[٣] أ.د. فياض القضاة، الفساد في القطاع الخاص : أساليبه ووسائل الحد منه. مقال منشور على الأنترنت متاح على الموقع الالكتروني/...//www.jacc.gov.jo/Portals/0

الشركات واندماجها، الشركات الأجنبية، تصفية الشركات، العقوبات، أحكام ختامية، النشر والنفاذ[٤].

- **هيئة السوق المالية**

أنشئت هيئة السوق المالية بموجب نظام السوق المالية الصادر بالمرسوم الملكي رقم م/٣٠ و تاريخ ١٤٢٤/٦/٢ هـ الموافق ٢٠٠٣/٧/٣١ م لتكون الجهة المسئولة عن تنظيم سوق الأوراق المالية في المملكة و تطويره و الأشراف عليه وهي هيئة حكومية تتمتع بشخصيةٍ اعتباريةٍ واستقلالٍ ماليٍ وإداري، وترتبط مباشرة برئيس مجلس الوزراء. و تغطي اللوائح والأنظمة الصادرة من قبل هيئة السوق المالية جميع الجوانب النظامية المتعلقة بسوق الاوراق المالية في المملكة العربية السعودية، وتنسجم هذه اللوائح والأنظمة مع الممارسات المتبعة في أسواق المال العالمية.

- **المسئوليات و المهام**

تتولى الهيئة الإشراف على تنظيم وتطوير السوق المالية، وإصدار اللوائح والقواعد والتعليمات اللازمة لتطبيق أحكام نظام السوق المالية بهدف توفير المناخ الملائم للاستثمار في السوق، وزيادة الثقة به، والتأكد من الإفصاح الملائم والشفافية للشركات المساهمة المدرجة في السوق، وحماية المستثمرين والمتعاملين بالأوراق المالية من الأعمال غير المشروعة في السوق[٥].

رقابة الدولة على ادارة الشركة العائلية

وبما ان إدارة الشركة العائلية جزء لا يتجزأ من ذات الشركة وتمارس أعمالها وفقاً لأحكام القانون، وعليه سوف نستعرض في هذا حقيقة رقابة الدولة على إدارة الشركة العائلية وأهميتها، وماهي جهات السلطة الرقابية المباشرة على الشركة العائلية ، وأثر رقابة الدولة على إدارة الشركة العائلية.

حقيقة رقابة الدولة وأهميتها .

اولاً: حقيقة رقابة الدولة

تخضع الشركة العائلية بشكل خاص من لحظة تأسيسها ، للأحكام نظام الشركات السعودي[٦] ، الذي أخضع أحكام تأسيسها لموافقة وزير الصناعة والتجارة ، وهو أهم ما يميز تأسيس الشركة العائلية بشكل خاص بالإضافة الى توافر الشروط الموضوعية الرضا والمحل والسبب ، والشروط الشكلية في كتابة عقد الشركة وتسجيله ونشره وهذا أساسي ولازم لتأسيس الشركة العائلية . وبالتالي فإن المشرع السعودي يكون قد احتفظ بنظام الرقابة المسبقة على أعمال الشركة العائلية، أو ما يسمى بنظام الإجازة أو الترخيص المسبق ، الذي كان معمولاً به في جميع القوانين ، وما زال مطبقاً في عدد لا بأس به من القوانين[٧]. وكان المشرع السعودي قد حدد إجراءات تأسيس الشركات العائلية بموجب احكام النظام ، ومنح صلاحية ترخيص تأسيس الشركة العائلية بقرار من وزارة التجارة والصناعة، بما في ذلك الشركات التي تؤسسها أو تشترك في تأسيسها الدولة ، أو غيرها من الأشخاص ذوي الصفة الاعتبارية العامة[٨].

- **ثانياً: اهمية الرقابة.**

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٤ انظر في هذا الجانب ، نظام الشركات السعودي ١٤٣٧

٥ انظر في هذا الجانب نظام هيئة الاسواق المالية السعودي مرجع سابق .

(٦)المادة (٣) من قانون الشركات السعودي ١٤٣٧.

(٧) د. أكرم ياملكي ، القانون التجاري ، الشركات (دراسة مقارنة) دار الثقافة للنشر والتوزيع ، عمان ، ٢٠٠٦ ، ص ١٥٢.

(٨) انظر المادة (٦٠) من نظام الشركات السعودي الصادر بالمرسوم الملكي رقم م/٦ وتاريخ ١٣٨٥/٣/٢٢ هـ وتعديلاته لغاية عام ١٤٣٧/٢٠١٥.

- تعتبر الرقابة على الشركات ، من أهم الوسائل ذات التأثير على سير أعمال الشركة ، وتحديد الخلل الذي يرافق سير أعمالها، وتبدو أهمية الرقابة من عدة نواحي أهمها أن الرقابة تمثل جانباً مهماً من جوانب صيانة الأمن الاقتصادي والاجتماعي للدولة. حيث يعود سبب ذلك الى أن أغلب المساهمين من مواطني الدولة ، وبالتالي فإن دور الرقابة هنا يعود بالمحافظة على أموال الشركاء هذا من جهة . وما تمتاز به رؤوس أموال الشركات العائلية من خصوصية اجتماعية ، حيث تشكل العصب الإقتصادي للدولة من جهة اخرى.
- نظراً لأهمية الرقابة على إدارة الشركات العائلية فقد فرض المشرع السعودي بعض القيود على تأسيس الشركات العائلية التي تطرح أسهمها للإكتتاب العام لاحقا ، وذلك بهدف التأكد من أن هذه الشركات وهمية أو حقيقية ومن حيث قدرتها على الوفاء بالتزاماته[٩].

(٩) انظر لفقرة (٢) المادة (٦٠) من نظام الشركات السعودي.

المبحث الثاني

رقابة الشركاء على ادارة الشركة ودور المراجعة الخارجية في الرقابة

المطلب الاول

رقابة الشركاء والدائنين على إدارة الشركة العائلية

أعطت غالبية التشريعات الحق للشركاء في الرقابة على أعمال الشركة بصفته شريكاً ومساهماً في رأسمال الشركة ويتحمل الخسائر التي قد تتعرض لها الشركة بمقدار نصيبة في رأس مال الشركة أما الدائنين فهم أصحاب الحقوق على الشركة والنموذج الأمثل لهؤلاء ، لذلك سنحاول في هذا المبحث التعرض الى رقابة المساهمين على أعمال إدارة الشركة العائلية من جهة ورقابة الدائنين من جهة أخرى.

الفرع الأول

رقابة الشركاء

ينصرف مفهوم المساهم في الشركة العائلية إلى أن الشريك هو احد مالكي المشروع الذي تستثمره الشركة التي يملك الحصة فيها ، وهو ما ينطبق عليه وصف الشريك في الشركة[10].

حيث سنتعرض في هذا الجانب إلى الدور الرقابي للمشارك ، حيث أن لكل شريك الاطلاع على المعلومات والوثائق المنشورة المتعلقة بالشركة والخاصة بها المحفوظة لدى المراقب ، والحصول صورة عامة، وأن يحصل بطلب من المحكمة على صورة مصدقة عن أي بيانات غير منشورة مقابل الرسم المنصوص عليه في الأنظمة الصادرة بمقتضى احكام هذا القانون[11].

وكان نظام الشركات التضامنية أو شركة التوصية البسيطه أو الشركة ذات المسؤولية المحدودة ، حسب مقتضى الحال، الطلب من المراقب إجراء تدقيق على أعمال الشركة ودفاترها وللمراقب اذا اقتنع بمبررات هذا الطلب انتداب خبيراً أو أكثر لهذه الغاية، فاذا أظهر التدقيق وجود أي مخالفة تستوجب التحقيق ، فللوزير إحالة الموضوع إلى لجنة تحقيق من موظفي الدائرة للتحقق من تلك المخالفة ، ودراسة التقرير الذي اعده الخبير ، ولها في سياق ذلك الاطلاع على الأوراق والوثائق التي تراها، او التدقيق مجدداً في بعض الأمور التي ترى ضرورة التدقيق فيها ولها حق التنسيب للمراقب في توجيه الشركة لتطبيق التوصيات الصادرة عنها ، أو احالة الأمر الى المحكمة المختصة ، حسب مقتضى الحال[12].

غير انه وخوفاً من أن يكون طالب التدقيق كيدياً ، الزم القانون طالبي التدقيق على أعمال الشركة تقديم كفالة بنكية لصالح الوزارة بالقيمة التي يحددها المراقب ، وذلك لتغطية نفقات التدقيق فيما إذا تبين في نتيجته أن طالبي التدقيق لم يكونوا محقين بطلبهم. حيث أن الظاهر من الكفالة البنكية أنها عبارة عن خطاب ضمان أو العكس. واذا كان من يطلب التدقيق محقاً في طلبه فإن الشركة هي التي تتحمل نفقات التدقيق ، مع اعتبار قرار المراقب بتحديد أتعاب لجان التدقيق في هذه الحالة قابلاً للتنفيذ في دوائر التنفيذ ، مع اعطاء الحق للشركة في الرجوع بما

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(10) د. أكرم ياملكي ، القانون التجاري ، الشركات ، مرجع سابق ، ص ١٩٦.

(11) انظر المادة (٢٧٤/أ) من قانون الشركات الاردني.

(12) انظر المادة (٢٧٥/أ) من قانون الشركات الاردني.

دفعته من نفقات التدقيق وبقيمة الضرر على من يثبت ارتكابه لأي مخالفة مبينة في تقرير اللجنة[١٣].

وفي ظل قانون الشركات المصري اقرت المادة (١٥٧) منه بحق المساهم في الإطلاع على سجلات الشركة والحصول على صور أو مستخرجات من وثائقها بالشروط والاوضاع التي اقرتها اللائحة التنفيذية لقانون الشركات المصري[١٤]، كما حددت اللائحة التنفيذية لقانون الشركات المصري ، مكان وزمان إطلاع المساهم على وثائق الشركة حيث جاء في اللائحة ان يتم الاطلاع في مقر الشركة[١٥]، معنى ذلك أنه لا يجوز نقل الوثائق والسجلات إلى خارج مقر الشركة حرصاً على عدم العبث في محتوياتها ، والمحافظة على أسرار الشركة من جهة اخرى ، وكانت اللائحة التنفيذية قد تركت للشركة حرية تحديد المواعيد الخاصة بالإطلاع ، بشرط ان لا تقل عن يوم واحد في الاسبوع[١٦]. كما يجوز للمساهمين طلب الاطلاع لدى الجهة الإدارية المختصة على السجلات والوثائق والتقارير والمحاضر المتعلقة بالشركة ، كما أجاز القانون المصري للمساهمين الحصول على بيانات مصدقة من ذات الجهة ، ويجوز للجهة الإدارية رفض الطلب اذا كان من شأنه اذاعة البيانات المطلوبة الحاق الضرر بالشركة أو بأي هيئة اخرى أو المصلحة العامة[١٧].

وكانت المادة (١٣٢) من نظام الشركات السعودي، منحت المساهمون حق الرقابة على حسابات الشركة وفقاً للأحكام المنصوص عليها في نظام الشركات ونظام الشركة الأساسي.

ولتحقيق ذلك الزمت المادة (١٣٣) من نظام الشركات السعودي الجمعية العامة للشركة بتعيين مراقب حسابات ، وتحديد مكافآته ومدة عمله ، كما يجوز لها إعادة تعيينه على ان لا يتجاوز مجموع مدة تعيينه خمس سنوات متصلة ، ويجوز لمن استنفذ هذه المدة أن يعاد تعيينه بعد مضي سنتين من تاريخ انتهائها . ويجوز للجمعية العامة أيضا في كل وقت تغييره مع عدم الاخلال بحقه في التعويض ، اذا وقع التغيير في وقت غير مناسب او لسبب غير مشروع[١٨].

ومن جهة اخرى منع نظام الشركات السعودي إفشاء أي سر من أسرار الشركة للمساهمين في غير الجمعية العامة ، حيث لا يجوز لأعضاء مجلس الإدارة أن يفشوا في غير اجتماعات الجمعية العامة ما وقفوا عليه من أسرار الشركة ، ولا يجوز لهم استغلال ما يعلمون به بحكم عضويتهم في تحقيق مصلحة لهم أو لأحد أقاربهم أو للغير، والا وجب عزلهم ومطالبتهم بالتعويض[١٩]. بالمقابل جاء نفس النظام وأعطى الحق لبعض الشركاء بالإطلاع على دفاتر الشركة ووثائقها، ومراقبة أعمال مجلس الإدارة ، ورفع دعوى المسؤولية على أعضاء

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(١٣) انظر المادة (٢٧٥/ب) من قانون الشركات الاردني

(١٤) د. علي شايف الأغبرين، النظام القانوني لإدارة شركة المساهمة في القانونين اليمني والمصري ، جامعة القاهرة ، ١٩٩٤ ، ص٢٩١.

(١٥) انظر المادة (٢/٣٠١) من اللائحة التنفيذية لقانون الشركات المصري.

(١٦) انظر المادة (٢/٣٠١) من اللائحة التنفيذية لقانون الشركات المصري

(١٧) د. مها محمود ريحاوي ، الشركات المساهمة ما بين الحكومة والقوانين والتعليمات (حالة دراسية للشركات المساهمة العامة العمانية) بحث منشور في مجلة جامعة دمشق للعلوم الاقتصادية والقانونية المجلد ٢٤ – العدد الأول – ٢٠٠٨ ، ص١٠٦. انظر ايضاً المادة ١٥٧ من قانون الشركات المصري . كذلك المادة ٣٠٢ من اللائحة التنفيذية لقانون الشركات المصري، ص١٠٦.

(١٨) انظر المادة (١٣٣) من نظام الشركات السعودي ١٤٣٧هـ.

(١٩) انظر المادة (٧٤) من نظام الشركات السعودي ١٤٣٧هـ.

المجلس ، والطعن بالبطلان في قرار جمعيات المساهمين وفقاً للشروط والقيود الواردة في النظام ، أو في نظام الشركة الأساسي[٢٠].

الفرع الثاني
رقابة الشركاء و الدائنين علي الشركة العائلية

السؤال المطروح هنا من هم أصحاب الحقوق ؟ ومن هم دائني الشركة ؟
قد يكون أصحاب الحقوق أو دائني الشركة من الغير ممن له تعامل مع الشركة ، أو تربطه بها رابطة مديونية ، وقد يكون من الضامنون ، حيث تتحد حقوق الضامن مع الشريك استناداً إلى صفته ضامن للشركة لدى الغير للشركة ، وهي الصفة المميزة له عن الشرك العضو فيها، كحال شركة التضامن حيث يوجد فريقين من الشركاء شركاء ضامنون ، وشركاء مساهمون، فيكون مسئولية الشركاء المتضامنون مسؤولون عن جميع اموالهم بما في ذلك حصة الضمان ، والشركاء المساهمون على قدر حصة اسهمهم بالشركة ولا يكونوا مسؤولون عن بقية اموالهم ، كما يحق للشركاء المتضامنون الادارة في اعمال
وكذا الحال لشركة التوصية البسيطة ، فهناك فريقين فريق موصي وفريق مساهم وينطبق حال الفريق الموصي كما ينطبق للفريق الضامن بشركة التضامن

وكما هو معروف فإن الشركة العائلية هي شركة تجارية وتكتسب صفة التاجر، وبالتالي فهي ملزمة بمسك الدفاتر التجارية، وقد الزم القانون التاجر بذلك، ولم يفرق القانون السعودي بين التاجر الفرد والتاجر الشركة، لذلك وعند حصول نزاع فإن من حق الخصم التقدم للمحكمة ومطالبة التاجر بإبراز دفاتره التجارية للقضاء لاستخلاص ما يتعلق منها بالنزاع ، ومن جانب آخر اعطى القانون الأردني للقاضي الحق أن يأمر من تلقاء نفسه بإبراز الدفاتر المذكورة للغاية ذاتها[٢١].

كما تقدم أن حامل السند هو دائن للشركة ، اذ يكون له بهذا الوصف جميع الحقوق التي تعترف بها القواعد العامة للدائن قبل مدينه. لذلك وحماية لحقوق حملة السندات من ضياعها نتيجة اختلال إدارة الشركة ، فقد جاء قانون الشركات الاردني كغيره من القوانين بالنص بتكوين هيئة مالكي أسناد القرض حيث نص المادة (١٢٦) منه على أنه " تتكون حكماً من مالكي أسناد القرض في كل اصدار هيئة تسمى هيئة مالكي أسناد القرض" (الفقرة أ). وعلى أن لهذه الهيئة الحق "ان تعين اميناً للإصدار على نفقة الشركة المصدرة لأسناد القرض" (الفقرة ب). وعلى أنه يشترط في أمين الاصدار هذا " ان يكون مرخصا لممارسة هذا النشاط من قبل الجهات المختصة" (الفقرة ج).

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(٢٠) انظر المادة (١١٠) من نظام الشركات السعودي ١٤٣٧هـ.
(٢١) انظر المادة (٢١) من قانون التجارة الاردني رقم ١٢ لسنة ١٩٦٦.

المطلب الثاني

الفرع الاول : جهات السلطة الرقابية المباشرة على الشركة

في النظام السعودي وبصدور المرسوم الملكي رقم ١٠/٢٢/٥/٥٧٠٣ وتاريخ ١٣٧٣/٧/١١هـ الموافق ١٩٧٤/٦/٣٠هـ ، بإنشاء وزارة التجارة والتي عُهد اليها بتنظيم التجارة الداخلية والخارجية ، حيث جرى تقسيم الوزارة الى وكالتين بموجب الموافقة الملكية رقم ٣/١٥١٨٩/م وتاريخ ١٣٩٤/٥/٢٣ ه الموافق ١٩٧٤/٦/١٣ م ، احدهما للصناعة والأخرى للتجارة حيث تقرر ان يرتبط بوكالة التجارة عدد من الإدارات ، أهمها الإدارة العامة للشركات حيث أُسند لها عدد من المهام منها.

١. دراسة عقود جميع أنواع الشركات وما يطرأ عليها من تعديلات وإصدار التراخيص اللازمة لقيامها، ومراقبتها، ومساعدتها على تجنب المخاطر.
٢. دراسة عقود تأسيس الشركات المهنية وتعديلاتها ، والترخيص لها.
٣. دراسة مشاريع التعديلات على أنظمة الشركات العائلية الأساسية ، التي يقترح مجلس الإدارة ادخالها على أنظمتها والتحقق من مطابقتها للأحكام النظامية ومتابعة عرضها على الجمعية العامة غير العادية[٢٢].

وصدور المرسوم الملكي رقم (م/٣٠) بتاريخ ١٤٢٤/٦/٤ الموافق ٢٠٠٣/٨/١ بالموافقة صدور نظام السوق المالية السعودية ، الذي يهدف الى إعادة هيكلة السوق المالية في السعودية ، بناءً على أُسس متطورة تهدف الى تعزيز عملية الإفصاح والشفافية فيما يتعلق بالأوراق المالية .

وتعتبر هيئة السوق المالية الجهة الرقابية والإشراقية المسؤولية عن السوق المالية في المملكة العربية السعودية ، وهي هيئة حكومية وذات ارتباط مباشر برئيس مجلس الوزراء ، وتتمتع بعدد من الصلاحيات اهمها:

١. حماية المستثمرين من الممارسات غير العادلة وغير السليمة.
٢. تعمل على تحقيق الكفاءة والشفافية في معاملات الأوراق المالية.
٣. تعمل على تنظيم ومراقبة الإفصاح عن المعلومات المتعلقة بالأوراق المالية والجهات المصدرة لها.
٤. مراقبة انشطة الجهات الخاضعة لإشراف هيئة سوق المالية .

من خلال ما تقدم فان ابراز الدور الرقابي ، سواء فيما يتعلق بالجانب التشريعي وما تم تضمينه من نصوص ، أو تكليف الجهات الحكومية بالرقابة على إدارة الشركات العائلية فإن الأهداف تكاد تكون متوافقة على العمل على ابراز هذا الدور بشكل صريح ، وفي ذات الاتجاه الدور الذي تقدمه الجهات الرسمية في ممارسة الرقابة على إدارات الشركات العائلية.

(٢٢) د. أحمد بن محمد الرزين، حوكمة الشركات المساهمة ، مرجع سابق ، ص٩٥.

الفرع الثاني : اثر رقابة الدولة على ادارة الشركة العائلية.

لقد سبق وتحدثنا عن حق الدولة في الرقابة على الشركات العائلية ، وادارتها ، ومن هي الجهة صاحبة الولاية في الرقابة على أعمال الشركة ، حيث لم يغفل المشرع عن محاسبة من ارتكب مخالفة من إدارات الشركات العائلية ، حيث رتب قانون الشركات عقوبات تتناسب مع حجم المخالفة المرتكبة

وفي نصوص القوانين العربية الأخرى فنجد ان المشرع المصري فقد فرض عقوبة غرامة لا تقل عن الفي جنيه ولا تزيد على عشرة آلاف جنية ، مع عدم الإخلال بالعقوبات الأشد المنصوص عليها في القوانين الأخرى ، على كل من يمتنع من أعضاء مجلس ادارة الشركة وموظفيها ومراقبي الحسابات عن اجابة ما يطلبه الخبير المنتدب للتفتيش[٢٣].

اما نظام الشركات السعودي فلم يكن بمنآى عن غيره من التشريعات محل الدراسة فقد جاء متشدداً حاله حال القانون المصري ، حيث افرد هو الآخر الباب الحادي عشر (العقوبات) المواد (٢١١ – ٢١٨) . حيث قرر هذا النظام عقوبات تصل الى السجن لمدة خمس سنوات وغرامة تصل الى (٥,٠٠٠,٠٠٠) خمسة ملايين ريال سعودي أو بإحدى هاتين العقوبتين(٢٤).

يتضح من النصوص المتقدمة أن القوانين محل الدراسة قد تشددت في تغليظ العقوبة على الشركات المخالفة ، اذ وصلت بعضها الى فرض غرامات عالية جداً مع اقترانها بعقوبة السجن ، فيما فرضت بعض القوانين عقوبة تصل إلى شطب الشركة من سجل مراقب الشركات

المطلب الثالث

دور المدقق الخارجي في الرقابة على ادارة الشركة العائلية

تكمن أهمية التدقيق على الشركات على اعتبار أن تقرير المدقق الخارجي يأتي في نهاية المرحلة المحاسبية للشركة التي يقوم بتدقيقها ، حيث يعطي ملخصاً كاملاً خلال فترة زمنية معينة ، ومن خلال هذا العنوان سنتعرض الى تعريف المراجعة ، وبيان أهميتها من جهة ، والى المركز القانوني للمدقق الخارجي من جهة اخرى.

الفرع الأول

المراجعة الخارجية وأهميتها

سوف نتحدث في هذا المطلب عن ماهية المراجعة الخارجية وأهميتها

اولاً: ماهية المراجعة.

ينصرف مفهوم المراجعة الى أنها المراجعة ألتي تتم بواسطة طرف من خارج المنشأة أو الشركة ، حيث يكون مستقلاً عن ادارة المنشأة[٢٥]. وهي عبارة عن مجموعة المبادئ و المعايير والقواعد والأساليب التي يمكن بواسطتها القيام بعمليات الفحص المنظم للدفاتر والسجلات ، والقوائم المالية للمشروع بهدف إبداء رأي فني محايد في تعبير القوائم المالية الختامية عن نتيجة أعمال المشروع من ربح أ وخسارة ، وعن مركزه المالي في نهاية فترة محددة .

وتعريف المراجعة بأنها "عملية فحص أنظمة الرقابة الداخلية والبيانات والمستندات والحسابات والدفاتر الخاصة بالمشروع تحت المراجعة فحصاً انتقادياً منظماً ، بقصد الخروج

(٢٣) د. محمد فريد العريني ، الشركات التجارية ، المشروع التجاري الجماعي بين وحدة الاطار القانوني وتعدد الاشكال ، دار الجامعة الجديدة ، الاسكندرية ، ٢٠٠٣ ، ص٢٢٧.

(٢٤) راجع نص المادة (٢١١) من نظام الشركات السعودي الجديد ١٤٣٧هـ - ٢٠١٥م.

(٢٥) د. محمد سمير الصبان ، د. عبد الوهاب نصر علي ، المراجعة الخارجية المفاهيم الأساسية وآليات التطبيق وفقاً للمعايير المتعارف عليها والمعايير الدولية ، الدار الجامعية ، الاسكندرية ، ٢٠٠٢ ، ص٣١.

برأي فني محايد عن مدى دلالة القوائم المالية عن الوضع المالي لذلك المشروع في نهاية فترة زمنية معلومة ، ومدى تصويرها لنتائج أعماله أو خسارة عن تلك الفترة[٢٦].

فيما ذهب البعض الآخر إلى تعريف المراجعة الخارجية بأنها "عملية الفحص الحيادي المستقل ، والتي تتم وفقاً لمتطلبات الأطراف الخارجية التي تستفيد من خدمات المراجع ، التي تنتهي إلى إبداء الرأي في القوائم المالية للمؤسسة عن طريق مراجع حيادي[٢٧].

من خلال التعريفات المتقدم بيانها ، فأنها تكاد تكون متقاربة ، حيث أجمعت على عمليات الفحص من خلال مدقق خارجي محايد ، والخروج بنتائج تحمي الأطراف المتعاملين مع الشركة سواء من الغير أو المساهمين ، الا أن ما ورد بتعريف الدكتور خالد أمين عبدالله كان الأكثر عمقاً حيث جاء الأكثر شمولاً من التعريفات المتقدم بيانها ، عندما تعرض إلى الجوانب المتعلقة بتدقيق الدفاتر الخاصة للمشروع ، وإعطاء تصور متكامل عن المشروع أو الشركة محل الرقابة أو التدقيق.

وقد جرى تعريف معايير المراجعة الصادرة عن الهيئة السعودية للمحاسبين القانونيين ، بأنها تعبير عن الرأي بواسطة شخص مؤهل تأهيلاً مهنياً كافياً بأن القوائم المالية للشركة المعين لمراجعة قوائمها المالية تظهر بمعدل مركزها المالي ونتائج أعمالها ، وتتمشى مع متطلبات نظام الشركات ، والنظام الأساسي للشركة فيما يتعلق بإعداد وعرض القوائم المالية[٢٨].

ثانياً: أهمية المراجعة.

تأتي أهمية المراجعة الخارجية لحسابات الشركة من خلال الهدف الذي تكونت من أجله ، وهو العمل على حماية الشركاء والغير المتعاملين معها من خلال آليات وطرق متبعة لضبط العملية الرقابية ، وإحكام السيطرة على الجوانب المالية للشركة محل الرقابة والتدقيق[٢٩]، حيث أن كل هذه العمليات أي المراجعة لا بد وأن تكون ضمن الإطار المحاسبي المبني على معايير مراجعة دولية معتمدة ، هذا وتعتبر المراجعة الوظيفة الأساسية للمراجع الخارجي إلى جانب ثقة الآخرين الذين يعتمدون على المراجع من خلال رأيه الرقابي التدقيقي بصفته خبيراً معتمداً يتمتع بالحياد التام اتجاه المتعاملين مع المنشأة سواء من المشاركين أو الدائنين أو عملاء المنشأة[٣٠].

كما تبدو أهمية المراجعة من الجوانب النفعية ذات الجوانب الإيجابية على أطراف العلاقة كمجلس الإدارة أو المدقق الخارجي والداخلي أو الشركاء من خلال الجوانب التالية:

١- أهمية المراجعة بالنسبة لمجلس الإدارة. تساعد لجان المراجعة أعضاء مجلس إدارة الشركة من خلال عملية التقييم المحاسبي لهم على تنفيذ مهامهم الإدارية والمالية ، لا سيما فيما يتعلق بالجوانب المحاسبية من خلال الإجتماع بالمدقق الخارجي والخروج بنتائج متوازنة لحل المشكلات ذات الصلة.

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(٢٦) د. خالد أمين عبد الله ، علم تدقيق الحسابات – الناحية النظرية والعملية ، الطبعة الثانية ، دار وائل للنشر ، عمان – الاردن ، ٢٠٠١ ، ص١٤.

(٢٧) Porter, B., **Principles of External Auditing**, John Wiley and sons, 1997,p.20.

(٢٨) د. أحمد بن محمد الرزين، حوكمة الشركات المساهمة ، مرجع سابق ، ص١١٧.

(٢٩) د. خليل ابو سليم ، قياس أثر الالتزام بتطبيق حوكمة الشركات على جذب الاستثمارات الأجنبية (ادلة ميدانية من البيئة الأردنية) ، بحث منشور في مجلة جازان ،فرع العلوم الانسانية ، المجلد ٣ العدد١ (يناير ٢٠١٤، ص٥.

(٣٠) إياد سعيد الصوص ، مدى فاعلية لجان المراجعة في دعم آليات التدقيق الداخلي والخارجي (دراسة تطبيقية على البنوك العامة في فلسطين) ، رسالة ماجستير في المحاسبة والتمويل ، الجامعة الاسلامية ، غزة ، ص٤٨ ، ٢٠١٢.

٢- أهمية المراجعة بالنسبة للمدقق الخارجي. تساعد لجان المراجعة الخارجية تدعيم استقلالية المدقق الخارجي. الأمر الذي يجعله القيام بعمله على أكمل وجه دون تأثير جهات خارجية على عمله.
٣- أهمية المراجعة الخارجية بالنسبة للمستثمرين. وجود لجان المراجعة داخل الشركات يؤدي الى ارتفاع نسبة الشفافية في المعلومات والتقارير المحاسبية التي تصدرها الشركات ، حيث يؤدي ذلك الى زيادة ثقة المستثمرين والأطراف الخارجية بهذه التقارير[٣١].

الفرع الثاني

المركز القانوني للمدقق الخارجي

هناك خلافاً في وجهات نظر بعض الفقهاء، وبعض أحكام القضاء في تحديد الوضع القانوني لمدقق الحسابات. إذ تبرز أهمية البحث في وضع العلاقة بين مدقق الحسابات والشركة المساهمة العامة ، حيث أنها من يحدد أساس ، ومدى مسؤوليته تجاه الشركة وإدارتها ، ومدى إمكانية مساءلة الشركة من قبل مدقق الحسابات[٣٢].

نص قانون الشركات الأردني بموجب المادة (١٩٢) منه على تعيين مدققاً أو أكثر وتحديد أتعابه(٣٣)، ونصت المادة (١/١٩٩) من ذات القانون على أنه:-"١.يعتبر مدقق حسابات الشركة وكيلاً عن المساهمين فيها وذلك في حدود المهمة الموكلة إليه"[٣٤].

أنّ استعمال المشرّع لعبارات مختلفة عندما وصف مهمّة المدقق بمثابة موظف ، ونص على تعيينه وتحديد أتعابه ، يكون قد تعرض إلى الأجرة هنا ، وبذلك أصبح المدقق بمثابة أجير لدى الشركة .

فيما ذهب البعض الآخر إلى أن مدقق الحسابات لا يعتبر وكيلاً عن الشركة ، أو عن المساهمين بل هو في الحقيقة عضواً في الشركة التي يتولى الرقابة على إدارتها، إن كان مركزه القانوني يتماثل مع الوكيل المأجور، فمدقق الحسابات ليس وكيلاً، لأنه لا يوكل إليه القيام بأية أعمال قانونية[٣٥]، ومحل وكالته تصرف قانوني لأي عمل مادي ، وماهو منوط بمدقق الحسابات فهو من قبيل الأعمال المادية ، وهي مراجعة حسابات الشركة وفحص الميزانية وحساب الأرباح والخسائر[٣٦].

لكن الحقيقة تخالف ذلك. فمدقق الحسابات يباشر أعمالاً قانونية تتمثل في التحقق فيما إذا كانت هناك مخالفات لأحكام نظام الشركة أو القانون ، قد وقعت خلال السنة المالية على وجه يؤثر في نشاط الشركة أو مركزها المالي مع بيان ما إذا كانت هذه المخالفات لاتزال قائمة ، وذلك في حدود المعلومات التي توافرت لديه[٣٧].

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(٣١) د. محمد مصطفى سليمان ، حوكمة الشركات ومعالجة الفساد المالي والاداري ، دراسة مقارنة ، الدار الجامعية ، الإسكندرية ، ٢٠٠٦ ، ص ١٤٥.

٣٢ د. احمد المساعدة ، البعد القانوني للحكومة الخارجية على ادراة الشركة المساهمة (دراسة مقارنة) ، بمؤتمر الاتجاهات الحديثة ، المنعقد بفلادفيا ٢٠١٦.

(٣٣) يقابل ذلك المادة (١٦١) من قانون الشركات الكويتي رقم ١٥ لسنة ١٩٦٠ وتعديلاته مع مذكرته التفسيرية.

(٣٤) د. فوزي محمد سامي، الشركات التجارية الأحكام العامة والخاصة، دار الثقافة، عمان، ١٩٩٩، ص٥٣٣.

(٣٥) د. محمد فريد العريني، الشركات التجارية، مرجع سابق، ص٣١٩.

(٣٦) د. احمد محمود المساعدة، مرجع سابق، ص٨٦.

(٣٧) انظر المادة (٦/١٦٤) من قانون الشركات الكويتي.

فعمل المدقق يتوافق مع طبيعة الوكالة بمعناها الوارد بالقانون المدني[٣٨]، كما أن مصطلح الأتعاب ، قد يبعث إلى الإعتقاد بان علاقته علاقة عمل تستوجب أجراً ، غير أنه إذا ما اعتبرنا أن المدقق يرتبط بالشركة بعلاقة وكالة ، فلا بد من تحديد طبيعة هذه الوكالة فهل هي الوكالة العادية الواردة بالقانون المدني ، أم هي وكالة خاضعة للأحكام العامة للوكالة مع خصوصيتها[٣٩].

وكان الاتجاه الفقهي الحديث[٤٠] ذهب إلى أن مدقق الحسابات لا يعتبر وكيلاً عن الشركة أو عن المساهمين ، بل هو في الحقيقة عضواً في الشركة التي يتولى الرقابة على إدارتها ، إن كان مركزه القانوني يتماثل مع الوكيل المأجور، فليس وكيلاً لأنه لا يوكل إليه القيام بأية أعمال قانونية ومحل الوكالة تصرف قانوني لا عمل مادي.

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(٣٨) المادة ٨٣٣ من القانون المدني الأردني.

(٣٩) المحامي محمد التويجري، مهنة مراقبة الحسابات بين الموجود والمنشود ،متاح في الموقع الالكتروني: www.twaijri.com/Portals/0/arabic/FINANCE.doc

(٤٠) د. مصطفى كمال طه، القانون التجاري، ، منشأة المعارف، الإسكندرية، طبعة ١٩٨٢ ، ص٣٦٨.

النتائج والتوصيات

ومن أهم ما توصلنا إليه من نتائج ومن ثم سوف نتطرق إلى أهم التوصيات التي تترتب على البعد القانوني للحوكمة الخارجية على إدارة الشركة المساهمة العائلية مايلي :

اولاً: النتائج.

١- بالرغم من أهمية حوكمة الشركات بشكل عام ، وعلى الشركات العائلية بشكل خاص إلا أن الاتفاق على تحديد مصطلح للحوكمة مازال محل خلاف سواء من الجانب التشريعي أو الجانب الفقهي .
٢- وضعنا عهدا وميثاقا قانونيا بين افراد العائلة الواحدة ، بتهيئة افراد العائلة لبناء شركة تساهم في الروية المستقبلية للملكة العربية السعودية.
٣- تعتبر حوكمة الشركات المخرج الوحيد وأقوى الحلول فعالية للخروج بضمان حقوق الشركاء والمستثمرين والغير من أصحاب الحقوق والدائنين.
٤- تبرز أهمية حوكمة الشركات من عدة جوانب ، حيث أنها قائمة على مبدأ تكافؤ الفرص بين العاملين في الشركة ابتدأ من مجلس ادارة الشركة وصولاً إلى أقل مراتب العاملين فيها.
٥- فرضت القوانين محل الدراسة ومنها قانون الشركات السعودي عقوبات قاسية على الشركات التي تخالف أحكام القانون .
٦- منح المشرع السعودي الشركاء الضامنون والموصون الحق في ممارسة الدور الرقابي على أعمال إدارة الشركة والعمل الاداري في الشركة العائلية .

ثانياً: التوصيات:

١- نرى انه لا بد وأن يُحظى موضوع حوكمة الشركات بصورة أكبر ، من أجل الوصول الى مبادئ اكثر دقة وشفافية ، وذلك من خلال اللقاءات العلمية والندوات والمؤتمرات.

٢- ادراك ابعاد موجهات التنمية المستدامة لرؤية المملكة ٢٠٣٠، واستعانة الشركات بكوادر ذات مقدرة في توفير تطبيق معايير الحوكمة للشركات العائلية، جدية افراد الشركة العائلية بأهمية الحوكمة ، التوعية المجتمعية بالحوكمة تساعد في تفعيل مصلحة الاشخاص وحقوقهم بالشركات العائلية .

٣- ، تاسيس رؤية رقابية للمخالفات الجنائية والتجارية واسس منع التستر في نطاق مسؤولياتها ، وكذلك اسس حماية الاجور بين منسوبيها .

٤- ضوابط التزام الشركة في الاشتراك في تامين منسوبيها بالصحي، والتأمينات الاجتماعية

٥- نتطلع على المشرع السعودي أن يفرد نصوصاً خاصة يوضح فيه مفهوم قانونياً لحوكمة الشركات.

٦- إضافة مادة في قانون الشركات السعودي تبين المركز القانوني لمدقق الحسابات في الشركة التي يقوم بتدقيقها وبشكل صريح.

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The Impact of Corporate Culture and Entrepreneurial Motivation in Corporate Transition among Potential Entrepreneurs

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1 Introduction

Recently, the global financial crisis and the incessant trends in technology and its effect on the overall business environment has posed the need for relevant and dynamic practices and inputs for an organization to survive (Beliaeva, Shirokova, Wales and Gafforova, 2018). There is an apprehension and concerns by various stakeholders in corporations over an effective transition of potential entrepreneurs from corporate organisations to a new venture creation. Such anxiousness, according to Parker (2018), might be aligned with culture and motivation as an extant factors to be practiced by corporate organisations. Thus, attaining effective transition of potential entrepreneurs by organisations has been a major concern and which is main focus of this study. Corporate organizations recognized it as paramount to make their organizational systems more competitive and efficient.

Recently, organizations may be better off only if competitive advantages were maintained. In this context, the corporate culture and entrepreneurial motivation was identified as an important factors of the entrepreneurial process (Shariff, Abidin and Bahar, 2018). A corporation with already built consistent culture and motivational practices is potential and instrumental to continue to survive and to remain successful (Ayodeji, 2019). The survival and success of corporate organizations would mean well for the potential entrepreneurs that are expected to imitate the culture and the motivations given in the organizations to create their own firm (Biniari, Monsen, Van Gelderen and Wincent, 2017). However, in order to acquaint potential entrepreneurs within the corporate organizations, organizations must be prepared for a change, perhaps, in the corporate culture (An, Zhao, Cao, Zhang and Liu, 2018). In this context, constant improvement of the corporate culture and to encourage entrepreneurial behaviour through an appropriate system of motivational factors is imperative. Also, the promotion of the entrepreneurship values are key challenges and tasks of the corporate organizations through different investment opportunities (Agrawal, 2018).

Varieties of activities for investing in start-up venture and management of new small firms by a large company independently from its core business are very important segment of corporate entrepreneurship (Ayyagari, 2019). In order to support new business ventures, corporate corporations are endowed possibility to capitalize on effective corporate culture and relevant entrepreneurial motivation to raise quite potential entrepreneurs in the future (Leal-Rodríguez et al., 2017). In addition, corporate organizations comprehend the transformation processes, as the most complex form, that is expected to accelerate coordinated changes of corporate culture and motivation in order to encourage entrepreneurial behaviour of the potential entrepreneurs.

2 Literature Review

2.1 Corporate culture and Entrepreneurship

Corporate culture refers to the beliefs, values and acquired copping techniques that develop over time within an organization which influences the behaviours of its members" (An et al., 2018). This shows that an organization can adopts policies, planning, and effort to promote and to encourage its workforce in attaining the goals and objectives of the organization. Most of the previous studies emphasized and mentioned some factors in different ways, such as job characteristics and the culture of continuous learning as important components of the corporate culture (Azimzadeh, 2019). The corporate culture, by creating a supporting context for learning, training, and the nature of the job characteristics plays a crucial role in the process of knowledge and skill acquisition and their relevance on the task and the job.

The same point of view is given by Potter et al. (2017), who found that the social context of the job affects the encouragement of the trainees (potential entrepreneurs) to acquire skills and their application by promoting opportunities for personal development. Moreover, the managerial commitment is one component of organization culture, which emphasized that the management should adopt the innovation, values, norms and attitudes to support the workforce and their performance in the organization for effective organisational development (Aykan, 2017).

As a soft component of the organizational development, corporate culture encompasses a system of standards and values, as well as set of appropriate motivational factors which encourage its effective implementation. In the strategic context, and in the process of decision making, corporate culture should be considered as a very important pedal. Organizations with a culture that emphasises the need for constant changes are considered as successful organizations, and different from those organizations where culture may likely not be significant in their abilities to adapt or create changes. A robust corporate culture can be a very supportive element in preparing a solid ground for the success of the potential entrepreneurs towards their new business start-up (Aguilera, Judge and Terjesen, 2018).

Corporate culture is also an effective controlling mechanism. By accepting certain standards and values within the organization, the internal control becomes significantly abridged. In this context, different attitudes of the workforce can be managed more efficiently, thus representing a minor problem when bringing management decisions. A strong culture is a good motivator as it contributes to the identification of the workforce with the organization as well as creating the sense of belonging to the organization (Udompanich, 2011). According to Shelton, Gartland and Stack (2011), a positive corporate culture is demarcated as a culture that emphasises rewarding more than punishing, building on employee strengths, and emphasizing not only organizational effectiveness but individuals` growth as well. These can be recognized as the most important within the context of corporate culture for an effective entrepreneurial success, as far as the key values of the entrepreneurial practices are concerned (Zheng, Yang and Mclean, 2010).

Entrepreneurial practice and success implies an openness to changes and a positive attitude toward achieving objectives. The most promising and successful organizations built a culture that welcomes changes as the not as threat opportunities (Leal-Rodríguez et al., 2017). Proactive and innovative engagement on creation of something new are required as orientation towards changes, not only passive (reactive) adaptation to changes at the marketplace, whereby the ultimate organizational goal is the creation of the best value for the customer. While the learning organization is a true entrepreneurial organization that facilitates and encourages systematic problem solving, learning from past experience, introduction of new approaches, best practice as well as knowledge transfer, knowledge is a key factor of the entrepreneurial process.

Within the entrepreneurial culture special attention is being paid to creativity, permanent innovation, and unconditional support to the processes of generating new ideas. Entrepreneurship is highly innovative approach which is opposite to a daily business routine and procedures (Harrington and Walsh, 2017). The acceleration of technological changes, when taken into consideration, it is relevant for organizations, as a culture, to invest in human resources development at all levels in order to cope with changes. Human resources development is a long-term investment with the fastest return.

Corporate organizations with an entrepreneurial culture highly ranked action-oriented workforce and their willingness, as well as ability to create an idea and bring it to practical realization. The orientation of organization to respect and reward the real potentials of workforce is closely connected to the above-mentioned values. Special working atmosphere in which different ideas and approaches in solving problems are welcomed is a good entrepreneurial culture. Also, building awareness about the importance of the individual qualities, skills, competences and knowledge for the future sustainable creation and growth of business (Kuratko and Morris, 2018). The workforce within the corporate organization, regardless of the position in the hierarchy, can contribute with their knowledge, skills and referent competences to the reliable solutions of existing and potential problems within their field of responsibility and expertise. The workforce, which is referred in this present research as potential entrepreneurs, are considered more as business partners, not as employees only.

Moreover, openness to both internal and external environment provides more interaction and communication with other business entities about the core development issues and exposes the organization to different impacts (Kadir et al., 2018). Also, the awareness of potential entrepreneurs that they can accomplish their own goals while realizing organizational simultaneously, significantly increase and strengthen their commitment and willingness to engage in it as they if they are in their own business. It is necessary to develop appropriate systems of motivational factors, both tangible and intangible in order to establish and incorporate values of that can spark motivation through the corporate culture into the corporate environment (Yong and Pheng, 2018).

Tangible factors are essential elements of supporting system and within the corporate organizations they most frequently represent a starting point. Award for exceptional loyalty and commitment of the workforce and associates at all management levels through bonuses, higher salaries and distribution of profits, currently are the most common forms of reward and motivation. However, it must be understood that there are numerous intangible factors which can stimulate employees: opportunities for personal advancement, interesting work, further development, new challenges, more responsibilities, pleasant working environment, fair treatment, flexible working hours and the possibilities to work at home with autonomy (Ayuso and Navarrete-Báez, 2018).

The willingness of the top management to provide autonomy to an employee, that is not only declarative and to encourage their creativity is also of essential importance. However, the readiness and willingness of the top management of most corporate organizations in inculcating a relevant and effectives corporate culture that can trigger such basic motivational elements for the potential entrepreneurs (workforce), especially with the recent economic downturns and technological trends, cannot be obviously ascertained. Thus, the following hypothesized statement is made:

H$_1$: *There is a significant impact of corporate culture on entrepreneurship*

2.2 Entrepreneurial Motivation and Entrepreneurship

The entrepreneurial motivation refers to the support that is expected to be given to a potential entrepreneur in order to energize him to make much effort to attain a new business start-up (Michel and Aziz, 2019). In this direction, corporate organizations should consider it a matter of relevant importance to focus on the essential elements to trigger their workforce (potential entrepreneurs) motivation toward their ambition to become self-employed. Since having the intention to be involved in entrepreneurial activity do not automatically induce entrepreneurial behaviours (Gawke, Gorgievski and Bakker, 2017), it is essential to understand what triggers the decision of potential entrepreneurs to accomplish what they intend to accomplish by later becoming self-employed. Thus, providing them with appropriate entrepreneurial motivations by corporate organizations may give them more courage in achieving self-employment (Acs, Szerb and Lloyd, 2017).

Previous empirical research on the role of motivation of entrepreneurs has been strongly affirmed by several authors (Johara, Yahya and Tehseen, 2017). Scholars such as (Yushuai et al., 2014; Kisker, 2016; Isa and Ahmad, 2015; Awruk and Staniewski, 2015) who observed critically on the role of motivation of entrepreneurs in their empirical research emphasized the importance of motivation of entrepreneurs for the self-employment realization. The authors define business creation as the identification of business opportunities and access to appropriate resources for entrepreneurs.

Sozen and O’Neill, (2017) emphasize that the lack of or limited empirical research on the motivation of entrepreneurs is not an indication of the lack of relevance of entrepreneurial motivation as a research area. Parker (2018) invoked for the influence of human motivation in the process of self-employment/business creation on developing a more realistic explanation of entrepreneurial motivation. They consider the explanations of the recent literatures as inadequate. The motivation of entrepreneurs is an important research field to explain the development of new ventures based in the field of entrepreneurship (Yushuai et al., 2014; Kisker, 2016).

In the literature, the influences of a variety of such imperative factors to support entrepreneurial motivation have been evaluated on the realization of self-employment among potential entrepreneurs. Due to a large number of different factors, it can be assumed that each factor will have a relatively motivational influence in self-employment start-up. In the investigation of environmental factors for achieving self-employment, it is therefore expected that any significant influence by the variety of different factors will be of significant importance for the potential entrepreneurs (Kumar, 2011). Zivic, Grujovic and Miljojkovic (2018) maintained that recently, the influence of ICTs accessibility and usage along with its importance in enhancing self-employment among the entrepreneurs have been the subject of so much attention and concern. Emerging and developing economies are seeking ways to improve productivity and find new sources of growth through new technologies committed in self-employment (Mercy, 2016).

Also, Azmi (2019) acknowledged that, some factors or incentives might provide motivational influence or support in self-employment among potential entrepreneurs as workforce in a corporate organization. These include information communication technology, skills and knowledge, economic factors such as financing, machinery and materials. Ajagbe et al (2016) confirmed from empirical findings that currently is the era where the effective utilization of ICTs has to be taken into consideration in all business operations due to trends in technology. Similarly, Akande (2013) conducted a survey in providing low-cost ICT's facilities that may assist the entrepreneurs in most particularly, with regards to the utilization of ICTs to conduct marketing and sales, processes and research and development. The findings discovered that ICTs is an important factor that influences the motivation of entrepreneurs in self-employment.

On the financing of entrepreneurs, Kerr et al. (2011) maintained and emphasized that most government financing effort toward providing incentives for self-employment should be intensified. This indicates the importance of financing as a vital element that influences the motivation of entrepreneurs in effecting and realizing a successful self-employment should be enhanced by corporate organizations. Moreover, in the context of skills, according to Dike (2013) and Elebute and Shagaya (2016), potential entrepreneurs should have training such as vocational training, which may influence their motivation to practice varieties of occupations that involve the application of vocational skills in realization of their self-employment target. Such skills can be acquired by the corporate organization's workforce (potential entrepreneurs) in the work/task performance.

However, indications arising from the findings of previous studies shows that there is a lack of consensus and inconsistencies on the factors that sparks entrepreneurial motivation among the potential entrepreneurs generally. Studies carried out by Le-Breton-Miller and Miller (2017), Fairlie and Fossen (2018), Huggins, Prokop and Thompson (2017), Clark, Newbert and Quigley (2017), Elfving, Brännback and Carsrud, (2017), and Srakar et al. (2018) shows that there were contingencies from the results of such studies. Therefore, this study will investigate the impact of entrepreneurial motivation on a new business start-up among the potential entrepreneurs (workforce) of corporate organizations. Thus, the following hypothesized statement is made:

H*$_2$*:* *There is a significant impact of entrepreneurial motivation on entrepreneurship

2.3 Corporate culture, Entrepreneurial Motivation and Entrepreneurship

The concept of entrepreneurship has been regarded as an important source and a way in which entrepreneurial abilities of individuals are employed, as well as the creation of new jobs within the society in countries where large and increasing unemployment has become a major economic problem. This reversing trend has been stressed attracting the attention of several stakeholders and entrepreneurship practitioners in trying to identify the main determinants of entrepreneurship (Oppong et al., 2015). Guerrero, Urbano, Cunningham and Gajón (2018) argued that as a contribution towards entrepreneurship, a utility-maximizing career choice made by an individual can be modelled from the context of the decision to be an entrepreneur.

Potential entrepreneurs when they start their own businesses would then be a source of employment opportunities for others, as they may not hesitate to employ other individuals to work for them, and this expands entrepreneurship and generates more jobs (Fátima, 2012). The larger number of self-employed will increase efficiency and competition, and taken together, will increase the real incomes in a society. Most governments apparently believe that higher levels of enterprising behaviour among the entrepreneurs results in job creation and may likely promote economic growth (Oppong et al., 2015). Entrepreneurship presents an opportunity as a way to answer to nobody and to set their own schedule, to become rich and to work based on a personal schedule.

It is seen by the governments on the other hand, as a means to offer aid and assistance for entrepreneurs to attain this objective and frequently as a route to end poverty. Increased self-reliance and well-being through creation of new firms may also raise the degree of competition in the product market, bringing gains to consumers, thus create new jobs. The justification for these actions is usually recognized that self-employment will help to promote innovation and invention through effective self-employment practice (Carolyne, 2019).

However, many scholars argue that corporate organizations of all sizes can obviously need entrepreneurial behaviour in order to survive and perform in a competitive environment (Kuratko, Hornsby and Hayton, 2015). Thus, different activities of investing in start-up venture and management of new small firms by a large company independently from its core business are very important segment of corporate entrepreneurship, as well as sustaining the culture of supporting and motivating the workforce (potential entrepreneurs) towards their own new business creation (Testa et al, 2016).

Through the corporate culture, by investing relevantly to reflects even the emergence of new ventures by the potential entrepreneurs, large corporations acquire possibility to capitalize on market advantages gained through such investment. Also, corporate organizations through such right entrepreneurial culture, can basically raise the organization as well as the workforce's readiness to new business creation and independence (Testa et al., 2016). In addition, corporate entrepreneurship encompasses the transformation processes, as the most complex form, that are expected to accelerate coordinated changes of corporate culture in order to encourage entrepreneurial behaviour of potential entrepreneurs within the corporations.

Moreover, according to Sozen et al. (2017), in order to offer a motivation for job creation by creating the right environment for self-employment, the motivation of potential entrepreneurs must be understood to promote them in the environmental context. The motivation of potential entrepreneurs to start their own business, which have a high probability to establish a successful business supposed to be determined by the given support for a new venture creation by corporate organizations (Chan et al, 2015). The support by corporate organizations would be of paramount importance to promote, directly the motivation of potential entrepreneurs within the corporation to start their own businesses. Thus, through the effective motivation, the potential entrepreneurs (workforce) may have the courage to exert a desired degree of effort, which may subsequently result in an effective realization of their new venture creation (Kisker, 2016).

The provision of vocational skills by corporate organizations through vocational training on-the-job to potential entrepreneurs in the corporations is of paramount importance in the potential entrepreneur's transition to a new business start-up (Dike, 2013). These may involve the absorption and sustenance of occupational skills that are responsive to the current and future desire of occupational practices by the potential entrepreneurs (Sharmila et al., 2016).

The aim of such vocational skill is imparting training to potential entrepreneurs in the much-specified fields through providing significant 'hands-on' experience in acquiring the necessary skills. Such skill is expected to empower and influence the motivation of potential entrepreneurs and make them employable or create for them opportunities for self-employment (Elebute and Shagaya, 2016). Vocational training involves a specific proficiency in a practice of occupation in self-employment. The vocational training allows potential entrepreneurs to be well equipped and exploit both skill sets to create economic value and generate income through self-employment. Thus, offering vocational skills by the corporate organizations would build transferable competencies in self-employment while fostering highly occupational and marketable skills (Carsrud, 2019).

Other aspect of the entrepreneurial motivation by corporate organizations to the potential entrepreneurs includes the use of machinery/equipment. In their studies, Melia, Perez and Dobon (2010) discovered that machinery/equipment as part of the physical capital is positively influencing the entrepreneurial motivation for effective self-employment among entrepreneurs. Thus, entrepreneurs make use of machinery/equipment in ensuring the speedy and effective procession of their products efficiently (Melia et al., 2010). This premised machinery/equipment as among various factors expected to influences potential entrepreneur motivation in self-employment. Thus, corporate organizations are expected to boost their workforce's knowledge of the use and operating machinery/equipment, which will enhance their capability and expertise in the production processes of their own new businesses.

Furthermore, according to Castells (2019), the impact of machinery/equipment has been manifesting among the entrepreneurs. The scholars emphasized the effective provision and access to machinery/equipment in a business start-up among potential entrepreneurs. This has been for the reason that various occupations, especially at the present rapid changes in technology, might need up to date machinery/equipment to operate and meet the current demand of consumers/customers (Thurik, Khedhaouria, Torrès and Verheul, 2016). Corporate organizations by taking consideration of the trends in consumer demand and technology, can be able to commit the best it can do, in ensuring relevancy with such trends to produce the best of what is needed at the right time, right quality, right quantity and in the right place (prompt supplies) (Kuratko et al., 2015).

Moreover, given the potential returns that ICT's can provide in enhancing and motivating the entrepreneur's operations in self-employment, issues relating to ICT's developments have been the object of much academic and policy attention of various governments (McGregor and Kartiwi, 2010). Several corporate organizations have made significant efforts to measure and benchmark ICT's deployment and uptake, but few have aimed at equally assessing the impact that ICT's can actually provide to both the corporations and the economy through entrepreneurship. Currently, taking into consideration the expected impact of ICTs, information and communication technology has the potential to be an essential tool needed in entrepreneurial activities (Mercy, 2017). This has been the evidence of experienced trends in technology recently. According to McGregor et al. (2010), information communications technology in particular to entrepreneurship is a leverage for self-employment success.

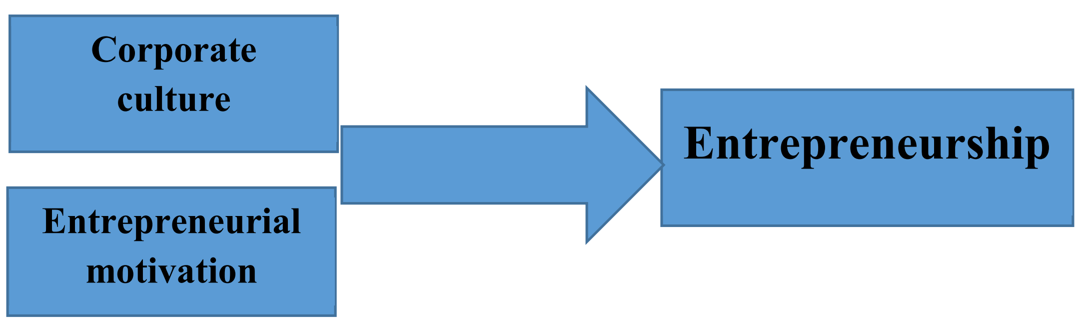
For the forgoing reasons and development, and in the context of potential entrepreneur's transition to a new business start-up from the corporate organizations, this research hypothesized the following assumed statement:

H_3: *There is a significant impact of corporate culture and entrepreneurial motivation on entrepreneurship*

3 Research Model

The conceptual framework of this study is presented below as figure 1.

Figure 1 Research Model



4 Methodology

From the philosophical stance of this research, the methodology used in this research was a positivist philosophy that entails deductive approach with a quantitative technique through a cross-sectional survey. A simple random sampling technique was adopted upon which a questionnaire with five likert scales was used to collect the data. A number of 241 sample for this study was selected among the employees of some corporate organisations. After the collection of the data, the data was screened to avoid errors in terms of missing values and outliers that may affect its validity. The data was coded into the SPSS and was analysed using Pearson's correlation coefficient to confirm the test of significance for the study.

5 Results

Tables for the results of this study were shown in the Appendices A as Tables 1, 2 and 3.

5 .1 Relationship between corporate culture and entrepreneurship

H_1: There is a significant impact of corporate culture on entrepreneurship

Table 1 shows that corporate culture has a significant relationship with entrepreneurship at significant value, p=0.000 (p=<0.05). The results from the "r" value r=0.788 translate a strong relationship between culture and employee performance. Therefore, the first alternative hypothesis was accepted. (p=0.000, r=0.788).

Table 1 Pearson's correlation on the relationship between corporate culture on entrepreneurship

		Corporate culture	Entrepreneurship
Corporate culture	Pearson Correlation	1	.788
	Sig. (2-tailed)		.000
	N		241
Entrepreneurship	Pearson Correlation	.788	1
	Sig. (2-tailed)	.000	
	N	241	

5.2 Relationship between entrepreneurial motivation on entrepreneurship

H_2: There is a significant impact of entrepreneurial motivation on entrepreneurship

From the Table 2, it has been confirmed that entrepreneurial motivation has a significant relationship with entrepreneurship at significant value, p=0.000 (p=<0.05). The results from the "r" value r=0.822 translate a moderate relationship between reward and employee performance. Therefore, the second alternative hypothesis is accepted. (p=0.000, r=0.822).

Table 2 Pearson's correlation on the relationship between entrepreneurial motivation on entrepreneurship

		Reward	Performance
Entrepreneurial Motivation	Pearson Correlation	1	.822
	Sig. (2-tailed)		.000
	N		107
Entrepreneurship	Pearson Correlation	.822	1
	Sig. (2-tailed)	.000	
	N	241	

5.3 Relationship between corporate culture and entrepreneurial motivation on entrepreneurship

H_3: There is a significant impact of corporate culture and entrepreneurial motivation on entrepreneurship

Table 3 established that corporate culture and entrepreneurial motivation simultaneously were having a significant relationship with entrepreneurship at significant value, p=0.000 (p=<0.05). The results from the "r" value r=0.790 and r=860 translate a strong relationship between corporate culture, entrepreneurial motivation and entrepreneurship. Therefore, the third alternative hypothesis is accepted. (p=0.000, r=0.790; r=860

Table 3 Pearson's correlation on the relationship between corporate culture and entrepreneurial motivation and entrepreneurship

		Corporate culture	Entrepreneurship
		Entrepreneurial Motivation	
Corporate culture	Pearson Correlation	1	.790
	Sig. (2-tailed)		.000
	N		241
Entrepreneurial Motivation	Pearson Correlation	.860	1
	Sig. (2-tailed)	.000	
	N	241	
Entrepreneurship	Pearson Correlation	1	.800**
	Sig. (2-tailed)		.000
	N		241

.

6 Discussion

This research was conducted by a survey of a total number of 241 potential entrepreneurs from some selected sample of corporate organizations. The result of this study confirmed that a good practice of corporate culture and entrepreneurial motivation for elevating the capacity and competence of potential entrepreneurs (workforce) prepare them well for a new business creation (Kuratko et al., 2015). The findings of this research were supported by the notion of the social cognitive theory of organisational performance (Wood and Bandura, 1989) and the Vroom expectancy motivation theory. Such influences of the corporate culture and entrepreneurial motivation in effecting new business start-up among the potential entrepreneurs were upheld by these theories. The findings were also corroborated by many empirical literatures which deliver the suggestion of a significant relationship between corporate culture and entrepreneurial motivation for an effective entrepreneurship practice (Aramand, 2012).

Also, according to Jansson (2013), potential entrepreneurs were motivated to attain goals through on-the-job practices maintained by a good establishment of corporate culture and entrepreneurial motivation in corporate organizations. In line with this finding is also the result of investigation confirmed by Jabeen, Katsioloudes and Das (2015), that the potential entrepreneur's motivations and efforts towards starting a new business is sparked through an effective provision of entrepreneurial motivation within organizations. In his work, Krouse (2012) also specifies that the contents of corporate culture if it has been properly handled by an organization may results in the upliftment of the ability and competence of the potential entrepreneurs in effective realization of a new business creation.

Furthermore, Hanna et al. (2012), Sharmila et al. (2016), and Mercy (2016) substantiated the findings of this study found that enhanced factors such as vocational training, the use of machinery/equipment and ICTs, as well as a good corporate culture practices such as managerial involvement, job involvement are equally paramount in elevating the potential entrepreneur's capacity in a new business creation. Similarly, Aramand (2012) acknowledged that an upright entrepreneurial motivation culture remains a favourable background for effective motivation in respect of starting a new business by the potential entrepreneurs. Thus, this research, in a nutshell, have confirmed the relevance of the factors of corporate culture and entrepreneurial motivation in supplementing the capacity and competence of the potential entrepreneur in creating a new business venture.

7 Research Contributions

This research focused on an investigation of the transition of potential entrepreneurs from corporate organizations to their new business start-up. There are very limited studies, if any, that focused on examination of this context of transition in entrepreneurship practice. Thus, this study, focused on the domain of corporate culture (such as managerial commitment, personal development, openness to communication and job involvement) and entrepreneurial motivation elements (such as vocational skills, use of machinery/equipment and ICTs) to investigate the transition of potential entrepreneurs from corporate organizations to a new business creation. Furthermore, this study theoretically incorporates two theories (i.e. the vroom expectancy motivation theory and the social cognitive theory of organizational performance) especially in developing the conceptual framework for the study. The novelty of this study lies in the merging of the selected theories to develop the research framework which is a maiden research to measure the transition of potential entrepreneurs from corporate organisations across the study area. (Dissanayake, 2015, Uyonguda, 2011). Other than that, exploring the under- researched factors of self-employment determinants in the context of Nigeria also added value to the entrepreneurship literature. This contributes to knowledge. In addition, this study incorporates some less-researched factors (some other dimensions of organisational culture and entrepreneurial motivation) that influence self-employment.

8 Research Implications

This study has justified the dearth of studies on the transition of potential entrepreneurs from corporate organizations to a new business creation. This provides implication to knowledge. Thus corporate organisations should practically incorporate the good practices of proper vocational training, the application of latest of ICT infrastructure, and relevant machinery/equipment that would match the extant customer demand. Furthermore, at the managerial level, commitment should be assured, as well as an extent of job involvement should be committed at the employee individual level. This indicates that corporate organizations, other stakeholders and the government can establish a relevant practice of corporate culture and entrepreneurial motivation to ensure an effective transition of the potential entrepreneurs. In practice, the results of this study are essential for corporate organizations and the government to grasp the significant impact of these factors on potential entrepreneur's motivation in a new business creation. The study also opens a new vista for the researchers lying various yardsticks suggestions in further investigations regarding transition in entrepreneurship.

9 Research Limitations and Scope for Future Studies

Essentially, this research focused on the transition of potential entrepreneurs from corporate organizations to create their new ventures from the realm of corporate culture and entrepreneurial motivation. Thus, future studies should focus on other context of the entrepreneurship practices other than such transition from corporate organizations. In addition, the present study employed a cross-sectional design to collect data which do not capture the data based on different time periods from the variables of interest and population. Hence, in future, a longitudinal research design needs to be employed in examining the constructs at different points in time. A longitudinal survey approach may help future researchers to collect more data on the variables of interest at different points in time.

10 Conclusions

The overall objective of this study has been to investigate the relationship between corporate culture and entrepreneurial motivation for effective entrepreneurship practice. In this regard, the study hypothesized that the extents of good practice of corporate culture by corporate organizations and other stakeholders, as well as an effective provisions of relevant entrepreneurial motivations have a significant impact on the potential entrepreneur's new business creation. In essence, this study confirmed the often revealed significant positive impacts of corporate culture and entrepreneurial motivation and entrepreneurship in new venture creation by the potential entrepreneurs. The positive significant finding exhibited that the more a corporate organization practices a favourable corporate culture, as well as an effective entrepreneurial motivation, the more potential entrepreneurs would be able to start their own new businesses. Various corporate organizations and the governments has to ensure their pledge in this direction. This will allow the potential entrepreneurs to effectively create a new venture. This reciprocates the efforts of the corporate organizations and the governments, as well as the resources committed in the new business creation by the potential entrepreneurs. Therefore, it becomes imperative for these stakeholder to vigorously and simultaneously improve their commitments most particularly to the corporate culture and entrepreneurial motivation aspects in order to provide a conducive background for the start-up of new businesses.

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Table 1 Pearson's correlation on the relationship between corporate culture on entrepreneurship

Appendices B: Questionnaire

Section A: Corporate Culture

STATEMENTS	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
My organization support and promote personal and professional growth					
My organization tries to create a unique family atmosphere					

My organization has a real interest in the welfare and overall satisfaction of its employees					
My manager encourages workers to speak up their opinions when they disagree with a decision					
I feel that my manager values my ideas and opinions on my job					
My manager encourages employees to work as a team					
My manager encourages people who work in my group to exchange ideas and opinions					
My manager often communicates the overall organizational goals to us					
My manager provides help, training and guidance so that I can improve my performance					
I feel that my manager has a knowledge and training to be a good leader					

Section B: Entrepreneurial Motivation

STATEMENTS	Lowest Motivation	Low Motivation	Average	High Motivation	Highest Motivation
I want to be a business owner					
I want to make profit from my own new business					
I like to control my own time at work					
I am thinking that having a business can improve my financial status					
I see a good future for myself if I start a business.					
I would like to make business decisions in conducting my own business					

Section C: Entrepreneurship

STATEMENTS	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The need for change attracts me for self-employment					
The need to be independent attracts me for sell-employment					
The need to reduces poverty influences me for self-employment					

The need for more money influences me for self-employment					
The better conditions of working attracts me for self-employment					
My family commitments influences me for self-employment					
The demand / market for my new products attracts me for self-employment					

Respondent's Demographic Background

Gender	Male	☐	Female	☐
Age Group	17-23 ☐	24-30 ☐	31-37 ☐	38-above ☐
Educational Background	SSCE/NECO ☐	ND/NCE ☐	HND ☐	B Sc Degree-above ☐
Do you have any prior vocational training experience?		Yes		No
Do you have prior use of machinery experience?		Yes		No
Have you ever started a business and failed previously?		Yes		No

Thank you for your anticipated co-operation

جامعة دار العلوم
Dar Al Uloom University

RELATIONSHIP BETWEEN PROJECT GOVERNANCE AND CORPORATE GOVERNANCE

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ABSTRACT:

The changes required in realizing the aims of Saudi Arabia's Vision 2030 are apparently enormous. The country has witnessed the slow formation and transformation of functional public sector entities entrusted the responsibility of delivering the projects into project based organisation and the establishment of Professional Project Management Offices within each Ministry to oversee the delivery of uprising capital expenditure projects. Nevertheless, given these developments Governance of Project Based Organisations will become a future challenge, and hence it has become the utmost need to align Corporate Governance Principles with Governance of Project Management (GoPM, APM 2004) to ensure project delivery and its sustainability. This paper works on the ground of the need of public sector organisations in viewing each of the policy commitments as individual projects itself; the challenges in implementing Project Governance and the extend of compatibility between the KSA's Corporate Governance Guidelines and the Principles for Governance of Project Management practices as defined by Association of Project Management (APM,2004). The outcomes of the paper will guide the Corporate Governance Units to adopt best governance practices to align the interests of directors, programme and project teams and wider stakeholders.

KEYWORDS: Project Governance, Corporate Governance, Association of Project Management (APM), Project based organisations, Project Success and delivery.

I. INTRODUCTION:

The public investment projects undertaken to deliver goods or services for the public such as transport, infrastructure, defence, IT projects etc. involves large sums of money and faces several challenges rising both internally and externally. These challenges include: ambitious multiple objectives, obstacles in measuring success and complexity in dealing with wide array of external stakeholders and failure to terminate unsuccessful projects. Similar challenges are also faced by the private sector enterprises or public-private partnerships.

According to Hall (1981) , there has been "great planning disasters" in the past which witnessed projects with cost overruns, time delays and with little or no benefits. Studies by MacDonald, 2002; Love et al., 2012, Cantarelli et al., 2012, Ansar et al., 2016 has confirmed that cost overrun as a consistent and a common issue of project failures especially in infrastructure projects and sporting events. Globally cost overrun is considered as a more serious issue and holds a widespread phenomenon. For projects to be successful a blend of operational, tactical and strategic excellence is essential. Public projects have a complex set of stakeholders to be managed, whose needs and priorities will concur or conflict and hence the outcomes are highly unpredictable (Miller and Lessard,2000). Canterelli et al. 2010 explained the technical, psychological, economic and political reasons behind project failures.

Special measures are required to overcome project failures, such as training; skilled and experienced workforce; state of art technology and improved estimation techniques; independent reviews to prevent bias; early planning; economic incentives for accountability and the like. A growing number of private and public sectors enterprise have introduced project governance frameworks. To ensure project delivery in large scale public investment projects, some governments have developed an overarching governance scheme applied across ministries and sectors.

This paper works on the ground of the need of public sector organisations in viewing each of the policy commitments as individual projects itself; the challenges in implementing Project Governance and the extent of compatibility between the KSA's Corporate Governance Guidelines and the Principles for Governance of Project Management practices as defined by Association of Project Management (APM,2004).

II. Project Governance

Originating from the broad concept of corporate governance, project governance is the environment around the project with the decision - making framework to deal with accountability and its alignment with the stakeholders.

1. Purpose of Project Governance:

APM in its document "*Directing Change: A guide to governance of project management*" stated that the very purpose of project governance is concerned on the management of individual projects with respect to their contractual and organizational arrangements.

2. Framework of Project Governance:

The decision-making framework in project governance is built on three pillars:

- **GOVERNANCE COMMITTEE STRUCTURE-** The governance structure recommends the formation/appointment of key personals/committees namely: i) ***Project Sponsor*** [1]- the

[1] *PMBOK® Guide, (6 ed., 2017) – as defined and explained by PMI®*

key person in the governance structure. The project sponsor has the responsibility to the board , the project manager and the project stakeholders. ii) ***Project Board / Project Steering Committee***[2] - to guide, direct and control the progress of the project iii) ***Portfolio committee***[3] - to ensure that the right project/s are selected iv) ***Programme committee***[4] – to govern a group of related projects v) ***Project Manager***[5] **-** person responsible for managing the project vi) ***Project Management Office***[6]– to standardize governance processes and facilitates sharing of resources, tools etc., across projects. vii) ***Project stakeholders***[7] - internal or external entities who have an interest in or an influence on a specified project.

- **PEOPLE** – people representing the committees determines its success. Program and Portfolio boards formed are entrusted the task of determining membership for the other committees.
- **INFORMATION** - access and flow to regular and key information across stakeholders.

*

3. Relationship between Project Governance and Corporate Governance

Corporate governance:

> *"Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives are set, and the means of attaining those objectives and monitoring performance are determined. A well-defined governance structures increases the project's success".*
>
> *OECD,2004.*

[2 ,3,4,5,6,7] *PMBOK® Guide, (6 ed., 2017) – as defined and explained by PMI®*

Project governance

"Project governance structure provides a framework that enables the project manager and the team with resources needed to support and control the projects such as: defining the reporting hierarchy, processes, accountability and tools for managing the project. Governance of project management supports the means by which the board and stakeholders are provided with timely, relevant and reliable information". *PMI®, 2017*

The set of policies, regulations, functions, processes, and procedures and responsibilities that define the establishment, management and control of projects, programmes or portfolios.

APM, 2012

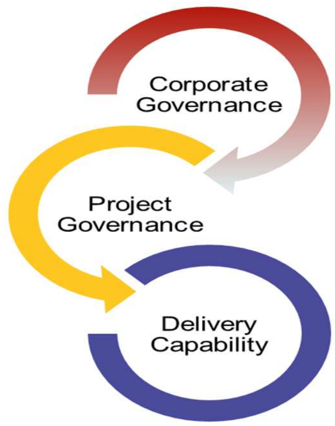
Project governance aims to link internal governance and the achievement of the intended objectives. Turner (2006) emphasize that there are three levels of governance in a Project-based organisation inter-linked with each other.

LEVEL 1: INTEREST AND COMPETENCY OF BOARD OF DIRECTORS –
This level identifies corporate governance.

LEVEL 2: PROJECTS CONTEXT – Infrastructure of Program and Portfolio Management to link projects to Corporate Strategy & internal competency and capability to deliver projects successfully. ***This level identifies project governance.***

LEVEL 3: INDIVIDUAL PROJECTS - governance structures at individual projects level.
This level identifies delivery capability.

Figure 2: Linking Project Governance to Corporate Governance and Delivery Capability (Turner 2006)



The Association of Project Management (APM) has articulated that the Governance of Project Management (GoPM) is a subset of corporate governance. But it is viewed that most of the methodologies involved in day-to-day activities management of individual projects lie outside the direct concern of the corporate governance.

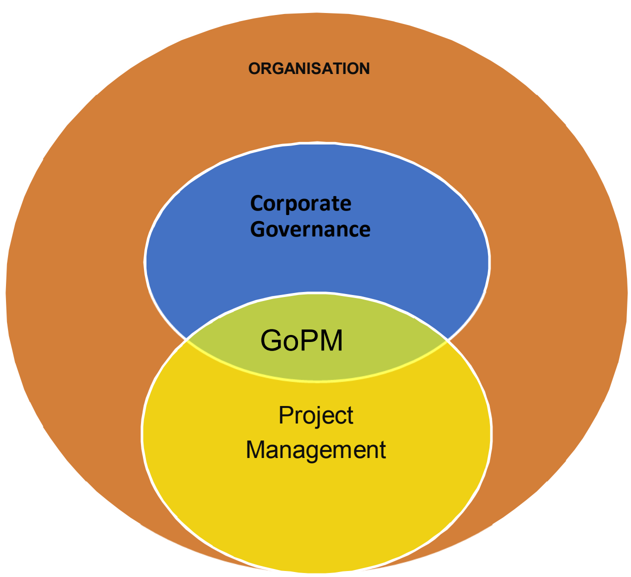


Figure 1: Governance of Project Management (GoPM) in context

4. Principles of Governance of Project Management (GoPM)

It has been observed that the Board of Directors and the executive management holds varied and sometimes contradictory definition of "project governance" and its best practices. To warrant a unanimous definition and practice of "project governance" , APM has developed eleven principles of project governance [**TABLE : 1]** which the knowledge body suggests will help an organisation overcome the contradicting definition and practices of "project governance".

Table : 1 Principles of Project Governance (APM,2004)

	Governance of Project Management Principles
1.	*The board has overall responsibility for governance of project management.*
2.	*The roles, responsibilities and performance criteria for the governance of project management are clearly defined.*
3.	*Disciplined governance arrangements, supported by appropriate methods and controls, are applied throughout the project life cycle.*
4.	*A coherent and supportive relationship is demonstrated between the overall business strategy and the project portfolio.*
5.	*All projects have an approved plan containing authorization points at which the business case is reviewed and approved. Decisions made at authorization points are recorded and communicated.*
6.	*Members of delegated authorization bodies have sufficient representation, competence, authority and resources to enable them to make appropriate decisions*
7.	*The project business case supported by relevant and realistic information that provides a reliable basis for making authorization decisions.*
8.	*The board or its delegated agents decide when independent scrutiny of projects and project management systems is required and implement such scrutiny accordingly.*
9.	*There are clearly defined criteria for reporting project status and for the escalation of risks and issues to the levels required by the organisation.*
10.	*The organisation fosters a culture of improvement and frank internal disclosure of project information.*
11.	*Project stakeholders are engaged at a level that is commensurate with their importance to the organisation and in a manner that fosters trust.*

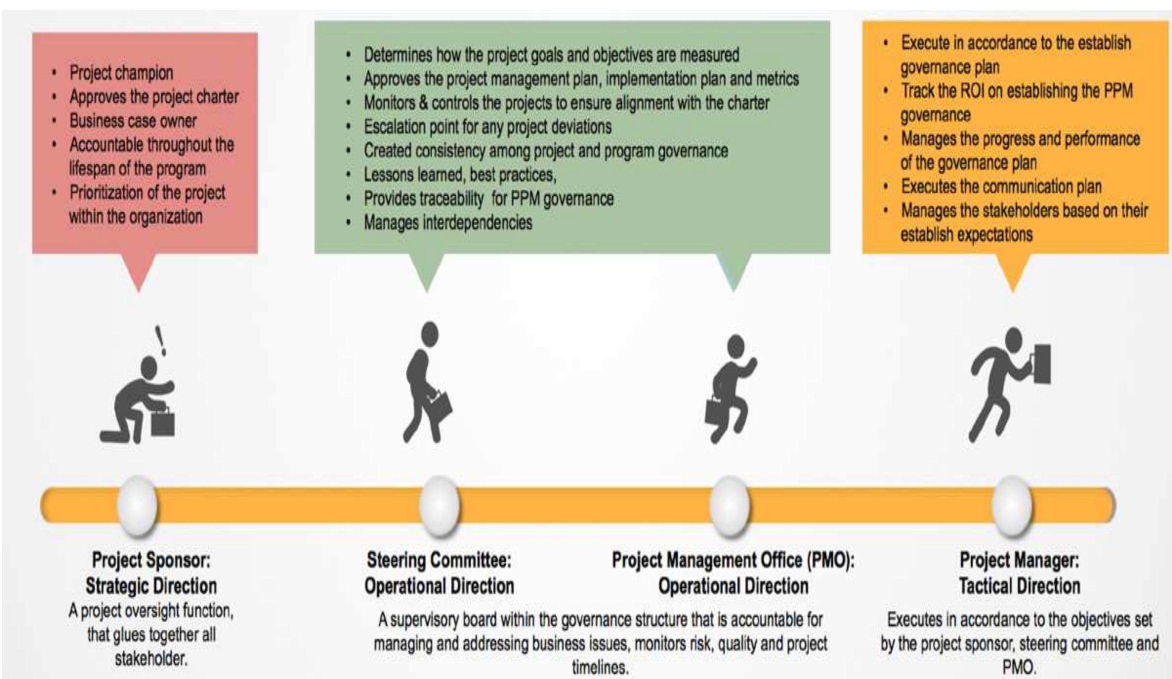
The eleven principles of GoPM focus on four key areas to ensure a business portfolio identifies all projects; ascertain the link between organization's senior executive body and the management of each project; teams can achieve project objectives and timely delivery of accurate and reliable information to aid decision making. These principles of project governance can be integrated within the wider governance arena.

4.1 KEY ROLES in GoPM

The crucial roles that are needed to establish , maintain and enforce project governance are:

- *SPONSOR*
- *STEERING COMMITTEE*
- *PROJECT MANAGEMENT OFFICE &*
- *PROJECT MANAGER*

Figure 3: Key Roles And Responsibilities And Its Influence On Governance Framework



Source : PMI.org

Each of these key personnel playing these roles hold a different perspective of the project. It is evident that in many cases that the introduction of Project Management increases the probability of on-time and within-budget deliver. Public sector organization and government ministries are no exception. Adherence to the principles of APM will help BODs to

- *optimize their portfolio of projects*
- *avoid common failures in programme and project performance*
- *minimize risk and maximise benefits*
- *enhance relationship with stakeholders*
- *assure project sustainability and continued development of the organisation*

III. Challenges ahead in Project Governance in KSA and VRP's readiness

The Kingdom's "Vision 2030" standing on 3 pillars of : A vibrant society… A thriving economy… An ambitious nation... comprises 96 strategic objectives, governed by several Key Performance Indicators (KPIs), that will be achieved though a number of initiatives codeveloped and executed by different governmental entities alongside private and non-profit organisations. The Council of Economic and Development Affairs (CEDA) has set up an effective and integrated governance model with the aim of translating "Vision 2030" into 12 Vision Realization Programs (VRPs) working involving 24 government agencies working in parallel to achieve the strategic objectives realize the government commitments. The governance model for the VISION 2030 structured by the government is given in Figure 3:

The comprehensive governance model aims to facilitate the coordination of efforts among stakeholders , to track progress and to ensure timely project delivery.

Figure 4: KSA's Governance Structure for Implementation of Policy Commitments

SOURCE: VISION 2030

Review of literature has identified some of the challenges faced in implementing Project Governance practices in Public Sector Organisations as in **TABLE :2**. These challenges are compared with the readiness of VRP's in the Kingdom to identify the key areas of development.

Table : **2** **CHALLENGES AHEAD IN PROJECT GOVERNANCE IN KSA AND VRP'S READINESS**

CHALLENGES	READINESS IN KSA VRP PROGRAMS
Project Delivery – *A clear definition of project goals and objectives including its scope and purpose is a critical success factor for project delivery. An incomplete definition can give rise to scope creep and gold plating leading to inflated cost and project delays.*	☑ - A well-defined project goals and objectives including its scope and purpose has been clearly stated in the VRS project documents.
Organisation Structure & Reporting Lines - *Appropriate and accurate definitions of roles and responsibilities.*	☑ - A hierarchy of project execution has been *partially* laid down.
Resourcing and Resource Management - *Project selection and prioritization of resources.*	☑ - A centrally administered funding strategy and a decentralized non-funding resources and resource management approach has been set. ☒ - Prioritization of resources
Experienced Project Managers and Project Management Office Leadership	☒ - Partly defined
Change Management Strategy	☒ - Not defined
Project Governance – *Framework within which decisions are made for project development and implementation.*	☒ - Not defined

The implementation is not without challenges, because the initiation requires the organisation to view these activities as individual projects and more attention be paid to the definition of goals and objectives and the establishment of project governance practices. For the successful implementation of this change effort, it is essential to focus on the critical factors that contribute to smooth implementation and sustainability of project. The challenges must bring in swift changes enough to satisfy government's keen to deliver its commitments, and an industry that is eager to take up new opportunities.

Compatibility [**TABLE :3]** between KSA's Corporate Governance Code and Governance of Project Management Principles defined by APM has been done to identify the areas of refinement and fine tuning.

TABLE : 3 COMPATIBILITY BETWEEN GOVERNANCE OF PROJECT MANAGEMENT PRINCIPLES AND KSA'S CORPORATE GOVERNANCE CODE….

GoPM Principles	Requirement	KSA's Governance Code
1	*The board has overall responsibility for governance of project management.*	17-36
2	*The roles, responsibilities and performance criteria for the governance of project management are clearly defined.*	21,22,27,41,54,59,61,73-76, 86
3	*Disciplined governance arrangements, supported by appropriate methods and controls, are applied throughout the project life cycle.*	23,42,43,44,52,54,73-78
4	*A coherent and supportive relationship is demonstrated between the overall business strategy and the project portfolio.*	-----
5	*All projects have an approved plan containing authorization points at which the business case is reviewed and approved. Decisions made at authorization points are recorded and communicated.*	54-59,73-82,79,84,96
6	*Members of delegated authorization bodies have sufficient representation, competence, authority and resources to enable them to make appropriate decisions*	11,12,27,55
7	*The project business case supported by relevant and realistic information that provides a reliable basis for making authorization decisions.*	40,73,89-93
8	*The board or its delegated agents decide when independent scrutiny of projects and project management systems is required and implement such scrutiny accordingly.*	73-82
9	*There are clearly defined criteria for reporting project status and for the escalation of risks and issues to the levels required by the organisation.*	----
10	*The organisation fosters a culture of improvement and frank internal disclosure of project information.*	39,89-93
11	*Project stakeholders are engaged at a level that is commensurate with their importance to the organisation and in a manner that fosters trust.*	50,51,53,80-83,89

The compatibility between Project Governance and Corporate Governance code is at its best with few missing guidelines. Hence KSA ‘s Corporate Governance needs fine tuning to attain a perfect alignment. There are certain critical factoring to be done in Corporate Governance code to fulfill the implementation of the principles and meet the requirements of governance of project management namely in the four core components:

1. Project Direction:

    - Distinguish between activities that has should be managed as projects and those that must be managed as non-project operations.
    - Impact of introduction of project portfolios and its acceptance by ongoing business operations
    - Strategic alignment of organisation’s capacity with the requirements of project portfolio.
    - Organisation’s engagement with stakeholders at all levels in accordance to their importance and contributions.
    - Clear outline of risks and rewards with utmost protection of commercial confidentiality
    - Organisation engagement to ensure sustainability in sourcing funds and projects delivered.
    - Project Authorisation points in accordance to the approved business case.

2. Project Sponsorship : is the critical route through which project managers perform and obtain authority and directions. Project sponsors are the owners of the business case.

    - Appointment of competent sponsors and their availability at any time.
    - Continuous engagement between sponsors and project manager always.

- Capability of the sponsor to direct and render timely decisions.
- Accountability of the sponsor for the realization of benefits.
- Setting up Project check points.
- Appraisal of projects at regular intervals to ensure it aligns with the business case and that it meets the requirements of key stakeholders.
- Archival of lessons learned data for future.

3. Project Management Capability: A best team can only deliver best projects. The board and project sponsor must assess the project management capability of the team, their competence, experience and provide the team with information, resources and tools to improve the work efficiency and decision making.

    - Define Key performance criteria to evaluate team's performance.
    - Define key drivers of success and key indicators of success for project outcomes.
    - Ensure that the project management skill set requirements matches with the project team's skill set competency.
    - Definition of roles, responsibilities, work delegation and authority assigned to the project team and its integration to the overall decision-making framework.
    - A structured risk management and contingency plan must be in practice.
    - Project team must be informed to the risk management and control procedures and its integration into the decision-making process.

4. Disclosure and Reporting: An open and honest disclosure policy is essential for effective reporting. Disclosures policy should include all stakeholders based on their legitimate interest and involvement level in the project.

- Establish a data source on project objectives, detailed and supporting facts of the business case, archives, procedures for risk management and its escalation, Key Success drivers, Key success factors, Performance appraisals, Reporting requirements, Project reports, Independent / External reports, communication standards and tools, documentation etc.
- Ensure receipt of timely, relevant and reliable information right from business case approval and project check points.
- Procedure for stakeholder management and communication.
- Assigning responsibility for disclosure and reporting to ensure that key facts are not compromised.

Exercising best practices of Project management to realize long run benefits is a challenging prospect and it is ideal, if it is advocated by the top-level personals in an organisation.

IV. CONCLUSION:

Implementation of GoPM will help organisations to avoid project failures arising because of : absence of a clear linkage between the project/s with key strategic priorities; absence of sponsor or a clear senior management specifically in government projects with ambiguous ministerial ownership and leadership; lack or ineffective stakeholder engagement strategies; absence of competent project delivery team; cost-overruns mainly occurring because of the failure to evaluate projects on a long-term perspective and absence of project check points to assess project performance and recommend termination of unsuccessful projects. The practice of project governance does not seek to duplicate or replace corporate governance guidelines but rather to complement it by providing guidance to manage individual projects given the contractual and organisation arrangements. The implementation of the APM guidelines are not static and hence it depends on the factors defining the specific organisation. The APM principles has provided the industry with the next generation standards of performance and it enables practicing organisations to move forward and to ensure project success and its sustainability.

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Corporate Governance in Saudi Higher Education via 2030 Saudi Vision

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Abstract

Due to globalization and economic changes, countries have to diversify the resources in order to improve their economic level and improve sustainability. Saudi Arabia has been facing huge changings and challenges. As a result, the importance of improving the quality of higher education in Saudi Arabia becomes urgent issue. Higher education governance must be applied on the Saudi Universities to attain best results that support the Saudi 2030 transformational vision. This paper discusses corporate governance in general, after that it displays the recent universities systems in Saudi Arabia. The last part discusses higher education governance in Saudi Arabia under the light of the Saudi 2030 Vision. The Study aimed to test the extent of University of Jeddah employees understanding to the main principles of governance. The main corporate governance principles applied in this study are transparency, accountability, effective participation. The study concludes that employees' knowledge about the higher education governance varies according to the university's management system, which indicates that Saudi universities in general need to develop strong universities governance system in order to achieve the Saudi 2030 transformational vision of Saudi Arabia. The researcher recommends an educational system to help universities in designing governed system to achieve the goals of Saudi transformational vision 2030.

JEL classification: I2, H2, F6

Keywords: Governance, Corporate Governance, Economic Growth, Transparency, Accountability, Functional governance, Higher Education Governance, Saudi 2030 vision.

I.Introduction

Higher education is the engine of countries to be economy- based. Human capital is the main power of any organization. Nowadays, Saudi Arabia is facing many economic challenges due to globalization, demographic development and economic growth. The Kingdom of Saudi Arabia established its 2030 vision which asked all public sectors to develop a governance system to advance the management systems under supervision of the Economic Affairs Council. Saudi universities have to build strong governance system to help achieving Saudi Arabia 2030 vision. The Saudi Vision requires high qualified people to build the nation's future.

Previous studies assumed that the application of governance in Arab countries lack to complete efficiency due to the traditional teaching methods, unclear policies, poor communication with other organizations and resistance to change. On the other hand, higher education in Middle East is facing challenges such as the bureaucratic systems, centralization in decision making, regulation and poor participation of instructors and students in forming decisions. Also universities resistance to

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change and improvement and absence of innovation (shareef,2007). Higher Education in Saudi Arabia is facing challenges as a result of the high demand for Higher education, the population growth and geographical wide spread, the effectiveness of the partnership of higher education institutions with other organizations especially in the field of scientific research and technical improvements. Other challenges can be classified under the ability of higher education to cope with the fast global changes in technology and education that happen as a result of globalization. Moreover the Saudi higher education is trying to advance the level of efficiency inside the universities and advance the level of the universities outcomes to meet the labor market needs. As a result, universities have to improve its regulations, and update their educational and training programs. The study discusses five of the main governance principles that have to be applied in the new Saudi universities governance system. These principles are: transparency, accountability, responsibility, effective participation and functional empowerment, then the study measures the employees ability to apply these principles in order to achieve good corporate governance in the field of high education to attain the Saudi 2030 vision.

Statement of the Problem

Universities in Saudi Arabia are trying to advance their plans and regulations in regard to the Ministry of Education strategic plans and goals, as Saudi Arabia has announced its 2020 transformational plan and 2030 Saudi vision. Educational organizations play an important role in the transformational process. Universities are the engine of success. Since the outcome of universities are the future residents. However, there is no enough literature in regard to the understanding and application of the educational governance in Saudi Arabia. The problem of the study is that the employees of the University of Jeddah are not familiar with the principles of governance's principles. The University of Jeddah is one of the new established universities. According to the university’s website, the University of Jeddah pays attention to corporate governance in general. The university has a plan to apply corporate governance in its managerial system. The study describes the extent of the employees understanding to the main corporate governance principles that need to be applied in University of Jeddah.

I. Literature Review

1. Corporate Governance

Corporate governance is the system which directs and controls companies. Boards of directors are responsible for the governance of their companies. The shareholders’ role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The board responsibilities include setting the company’s strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. Corporate governance is therefore about what the board of a company does and how it sets the values of the company, and it is to be differentiated from the day to day operational management of the company by full-time executives (Magalhaes, 2013).

2. Theories Related to Corporate Governance

There are few theories related to corporate governance. Governing roles are one of the least studied in the entire spectrum of argued industrial activities. Clarke (2004) assumed that corporate governance is analyzed around major theoretical frameworks. The most common are agency theories, stewardship theories, resource-dependence theories, and stakeholder theories. The selected theories are related to the higher education governance under the light of Saudi vision since the Saudi universities consider as public institutions.

2.1: Agency Theory

Agency theory considered as the dominant theoretical framework on researches of governance. The agency theory has been used by scholars in economics, accounting, political science and marketing. In relation to corporate governance, Agency theory is an economic approach to governance. It depends on the relationship between the shareholders or owners, who described as principles and the managers of the organizations who described as agents. Organizational control or corporate governance is described in the contract between the principal and agent but determined by financial remuneration (Eisenhardt, 1989). Agency theory is built on an economic model of man in which the principal and agent are interested in their own financial gain.

2.2: Stakeholder Theory

Stakeholder theory is built on the idea that the main purpose of business is shareholder profit. The theory introduces the concept which indicates that there is a broader institutional and external range of actors and interests to consider in regard to the obligations and performance of any organization. Each actor has a "stake" in the organizations. Stakeholder theory can be seen as more collaborative approach to business between the firm and employees, government, suppliers and the community (McAlister, Ferrell &Ferrell, 2003). Organizations contain different stakeholders. The stakeholder's theory assumes that organizations should be managed with consideration of stakeholders.

2.3: Resource Dependency Theory

The resource dependency theory describes the relationship between the environment, the organization and other organizations. Conforth (2003) stated that organizations crucially depend on other organizations and actors for resources. The main assumption of resource dependency theory is that corporations must be linked with both the external environment and other organizations as they are dependent upon them for survival. Directors can set boards of other corporations for a range purposes which include the connection between the community and the organizations and to protect the corporation from any environmental threats. The theory contains two main roots which are: economic and sociological roots that have been concerned with the power distribution within an organization (Zahra & Pearce, 1989).

2.4: Stewardship Theory

Stewardship theories argue that the managers or executives of a company are stewards of the owners, and both groups share common goals (Davis, Schoorman, & Donaldson, 1997). Therefore, the board should not be too controlling, as agency theories would suggest. The board should play a supportive role by empowering executives and, in turn, increase the potential for higher performance (Hendry, 2002; Shen, 2003). Stewardship theories argue for relationships between board and executives that involve training, mentoring, and shared decision making (Shen, 2003; Sundaramurthy & Lewis, 2003).

3: Principles of Corporate Governance

The department of Education and training in Queensland government has identified six foundation principles of corporate governance framework as identified by the Australian Public Service Commission. These principles are: accountability which means offering convenient mechanisms to confirm the agency following to all applicable standards. The second principle is transparency and openness. Which indicates having clear roles, procedures and responsibilities to exercise power in decision making. The third principle is integrity which means to act ethically in regard to the interests of the agency. The fourth principle is stewardship to use every chance or opportunity to reinforce the value of public assets and institutions that have been resourced to achieve the aim of the organization. The last principle is leadership the government assumes that to achieve agency-wide commitment, leaders trusted to the agency's care. The fifth principle is efficiency that confirms the best usage of hip has to be one of the main principles (qed. 2018).

3.1: Transparency

Cambridge dictionary defines transparency as the characteristic of being easy to see through (Dictionary, 2018). Johnston (2006) said that transparency helps business to be conducted in such a way that all needed information is available to people and the presented information is understandable, taking privacy and security of information in consideration.

3.2: Accountability

Business dictionary defined accountability as the obligation of an organization to account for its activities accepting responsibility, disclosing the results in a transparent way. Accountability contains being responsible of money and other property. Johnston (2006) defined accountability as the procedure that ask directors and their followers to follow the standards and rules that has been applied, then indicate that the firm has followed the procedure and provided accepted results.

3.3: Effective participation

Cambridge dictionary identified the term participation as when a person take part or becoming involved in something. Maseko (2015) assumed that participation of shareholders in the direct and indirect control of the company has to be considered for good corporate governance practices. The writer claimed that shareholders have the rights to participate in main corporate governance decisions such as nominating, assigning and removing external auditors.

3.4: Functional Empowerment

Sadan (2004) has identified functional empowerment as community empowerment assuming that the community is responsible to create new economic, social and political values to the citizens. Community empowerment is the creation of access to social and economic resources. Many writers claimed that the empowerment of the professionals is an important factor in building successful plans (Guterman & Bargal, 1996).

3.5: Corporate Governance Participants

The structure of ownership has important implication in regard to the corporate governance framework. Shareholders controls companies but in some instances ownership is controlled by state which allows higher level of governance challenges. Controlling shareholders have strong incentive to control the management of the firm with useful effects on the governance of the company (Oecd.org, 2018).

3.6: Stakeholders

Stakeholders are responsible of the firm decision making process. The stakeholders are the shareholders, directors, employees, suppliers creditors and other interested parties. Corporate governance is managing the way stakeholders communicate with each other to present corporate decisions. The main participants in the corporate governance are shareholders, directors and officers

(Spencer, 2018). Harmanson defined the role of Stakeholder in corporate governance as to delegate authority to the board of directors, which in turn appoints a management team to control the organization to achieve agreed-upon goals within a framework of acceptable organizational behavior. Regulators, associations, and the legal environment influence the nature of acceptable organizational behavior.

3.7: Management

Management is the major driver of corporate governance. all organizational governance models recognize the central role of management as one of the drivers of organizational governance. By setting the tone at the top (Treadway, 1987) and handling the day-to-day operations of the entity, management's influence on the quality of governance is significant. Management is responsible for monitoring organizational risks and implementing controls to mitigate such risks.

3.8: Shareholders

Shareholder or investor can force better corporate governance. Historically, individual shareholders, whether institutions or private persons, have had little chance of influencing the board or management given the fragmentation of ownership. Shareholders can ask questions at the annual general meeting, but they would need a majority of votes in order to pass a motion that was binding on management. Even institutional shareholders do not, in most countries, hold as much as 5 per cent of the ordinary shares of one company.

3.9: Internal Auditors

Bota & Rachisam (2013) claimed that regarding to the last changes in the international economy, the expectations from the internal auditor department in the organizations become higher. The strategic position of the organizations makes the internal audit function as a central point of interests for the manager, and shareholders. The role of internal audit is to achieve the global vision among the corporate governance system and its effectiveness.

3.10: External Auditors

External Auditors' role in Corporate Governance and Financial Reporting is not only recommends means whereby a variety of internal issues can be addressed but also considers various ways in which the external auditor and audit committees contribute to the process of corporate governance. Problems related to asymmetric information, information disclosure, transparency between corporate managers and shareholders, and factors contributing to insider trading are covered as well as the various ways in which the external auditor and audit committees can contribute towards enhancing corporate governance structures and measures. the external auditor's expertise as appropriate for addressing agency problems whereby corporate managers, at the expense of shareholders, are compelled to act in their own interests, The Role of External Auditors in Corporate Governance is to draws attention to the audit committee's roles, presenting them as being both as a vital and complementary as corporate governance tools. It also highlights the importance of measures which need to be in place if the external auditor's contribution to corporate governance is to be maximized (Azham, Ojo, Heang, & Yusof, 2016).

4. Higher Education Governance in Saudi Arabia

The term governance has been popular in Saudi Arabia after the announcement of the Saudi 2030 Vision. The government sectors started to update their visions, missions, and plans to be aligned to the Saudi main vision. This chapter describes higher education governance in Saudi Arabia then it introduces the Saudi 2030 vision.

4.1: Literature Review of Higher Education Governance in Saudi Arabia

There are different studies that discussed corporate governance in general and higher educational governance in specific. Though there are many studies have been written about the Saudi universities governance, there are limited studies discussed higher education governance in Saudi Arabia. This section presents the previous studies then it will explain theories related to the corporate governance.

Smith and Abouammoh (2013) stated that the reform agenda of Saudi Arabia higher education express official commitment to increase flexibility and autonomy of decision-making in the level of individual universities. The authors assumed that Saudi culture is focused on center control and compliance so that neither the government nor the higher education community has much experience with institutional autonomy. Appropriate institutional self-governance is lagging in most universities. The power of decision-making is delegated to institutions.

Al-Eisa and Smith (2013) described the pattern of traditional academic governance which has been applied for decades in Saudi universities. The paper present three primary guiding principles to attain effective university governance: Academic freedom within the law should be protected, institutional autonomy should be respected and governance arrangements should be open and responsive. Then the paper assumed that evaluating the governance arrangements of universities in Saudi Arabia is difficult. It is complex to identify appropriate governance processes to serve the diverse and conflicting needs of higher education in Saudi Arabia. The second reason of the complexity is the bureaucratic nature of academic authority which is the same situations in other countries not only Saudi Arabia. The higher education system in Saudi Arabia needs a transformational shift to autonomy instead of centralization and from strict regulations to genuine competition among universities.

On the other hand the Ministry of Education is adapting flexible policy to promote excellence and innovation. The policy is trying to create mission differentiation between universities which as a result will provide high levels of autonomy to the system. Currently, the Ministry of Education has direct control over all universities. Saudi universities are in need to autonomy over their operation and direction and over the way they allocate resources and promote high quality in educational process.

4.2: The importance of higher education governance in achieving the Saudi Vision

The positive contribution of tertiary education is increasingly recognized as not limited to middle-income and advanced countries, since it applies equally to low-income economies. Tertiary education can help countries become more globally competitive by developing a skilled, productive, and flexible labor force and by creating, applying, and spreading new ideas and technologies (Chattopadhyay, 2007). Higher education provides many purposes. It is the main factor in the knowledge economy. Higher education prepares young people to be specialized in majors that support the current market.

All society's sectors have an important role in presenting quality in learning and educational opportunities. Learning opportunities are not limited to the school systems. All residents can join learning activities (Valdés-Cotera, Wang, & Lunardon, 2018). Providing qualified educational programs help in decreasing poverty, and inequality. On the other hand, providing formal and non-formal education help in increasing the level of qualified citizens and provide high awareness of health. The modern universities are not only a knowledge producing institutions however universities nurtured the major and emergent cultural models of society. Part of the universities importance is the participatory governance which means that universities can be partly credited. However each university has its own vision, board of directors, and shareholders that by the end have to support the Saudi vision and supporting group of the established programs.

4.2.1: Human Capital

The value of human capital investment has been increased. Researchers argued that investment in human capital through government higher education expenditure leads to substantial positive externalities. The great public funding for education is urgent to increase the productivity of labor force. The cost of investing in human capital has been increasing to levels that its returns no longer outweigh the costs (Curs, Bhandari & Steiger, 2011).

There is an important service provided by the universities to society in the care of human capital to support the development of the country at the social, economic and scientific level. In this endeavor, universities must ensure equal access to education for all, to those with special needs and to disadvantaged groups in society.

Universities have a responsibility to ensure that their academic and research programs are not only subject to the requirements of the labor market. And encourage multidisciplinary approaches to link applied natural sciences to social sciences.

The teaching staff should take into account the adoption of a multidisciplinary approach to teaching and the integration of natural, applied and social sciences so as not to lose knowledge of their context. Equally, universities must ensure that specialized courses include such things as the environment, social impact and ethical implications of scientific activity. Students need to be introduced to ethical concepts, social responsibility, awareness of global challenges, and encourage them to work locally and think globally. And encourage intercultural exchange programs among educational institutions in other countries, so that universities can help further promote the concept of multiculturalism and improve understanding skills of other cultures.

4.2.2: Social Responsibility

Saudi Universities in general have carried social responsibility as an important part in their missions. One of the important aspect for Saudi universities is the formulation of productive and responsible citizens and the promotion of broad participation in the civil society and the development of skills and attitudes to achieve this, which is important in higher education. This is often known as the "third mission", which involves technology transfer, innovation, and continuing education. This aspect of higher education is an essential part of the University's commitment to the whole community and is equally important to the educational experience and experience of each student. Although this dimension of higher education is important, it is rarely mentioned in the curriculum.

Students make a huge wealth of valuable resources in helping the communities the University provides. In addition to the fact that students involved in community partnership can learn how to deal with social, political and cultural issues, this engagement reinforces the sense of civic responsibility and encourages greater sense of responsibility among graduates and makes them willing to improve the lifestyle of all segments of society. Universities in developed countries encourage their students to think about the service of the international community in developing countries at an increasing rate, and this type of participation fosters new types of multicultural cooperation and understanding.

4.2.3: Environmental Sustainability

By promoting sustainable development practices in each university, universities offering energy-saving measures and encouraging the use of renewable energy sources on campus. They can also reduce waste disposal and waste recycling. And thus can create an attractive, healthy and safe university environment for both faculty and students.

Management that takes environmental sustainability into account is closely aligned with other responsible management policies. Universities therefore have to practice Islamic rules, justice, transparency and accountability most importantly, the full participation of students in these processes through which the university can teach its students important aspects of social responsibility.

4.2.4: Scientific Research

The nature of the scientific research is necessary in the production of knowledge to serve the community and improve the quality of life. In order to improve their position in the global rankings of universities, some universities have begun to close some sections with a modest research output and starting to attract highly skilled researchers from developed countries. However, scientific research is not necessarily the primary message of most universities. Some advanced research in medicine and genetics, for example, raises ethical issues and can have serious social implications. Universities have a responsibility to ensure that these issues are handled responsibly not only taking into account the local ethical environment but also its global profile.

Souza (2018) assumed that advanced technology and the intensification of competition have led to increased fraud and corruption, and if this is added to the desire for prestige and prestige, this in turn leads to manipulation of the results of scientific research as well as plagiarism in scientific papers and theses. Universities should take all steps to avoid the occurrence of such cases and inculcate in the hearts of faculty members and students the social consequences of fraud and fraud.

With the overall decline in funding, scientific research is mostly funded by the private sector. There are cases where the private sector funded scientific research aimed only at promoting private reconciliation in the fields of pharmaceutical, agriculture and food products.

4.2.5: Economic Growth

The economic value of higher education has been discussed widely in economic theories. There are many characteristics that apply different emphases. The first characteristic presents higher education as a consumption of good, which see higher education as intrinsic value. Endogenous economic growth theory suggests that the investment in higher education will promote economic growth if financed through non-distortionary taxes by creating a labor force that is more productive and better able to create and absorb new technologies (Barro 1990, 2000; Barro and Sala-i-Martin 2004). Alternatively, a few researchers have found a positive relationship. Furthermore, micro-level studies consistently show a positive relation between higher education spending and local economic growth. One possible explanation is that the impact on growth will depend upon the region or state in which the investment is made. The visionary authors of the Faure Report (1972) assumed that to have a society who is capable and believing in lifelong learning, a major shift is necessary in term of current governance mechanisms and partnerships for education and learning. The main role of government is to assure the right to education to its residents. Education has to be available inside and outside the schools (Torres, Howard-Hamilton & Cooper, 2011). Allowing open learning systems will enable multi levels governance that support open decision-making, respect diversity and manage complexity

4.3: Applying Higher Education Governance Models on Saudi Universities

Abazov (2015) argued that Dobbins and Knill identified three models of Higher Education governance. The models are: the state-centered model, the university as a self-governing community of scholars and the market-oriented model. The classification will support this study to decide on the best models to Saudi university in general and Jeddah universities as a specific case of the study. The classification will be according to each university's mission, vision, objectives, policy and environment.

4.3.1: The State-Center Model

This model is related to public universities operated by the government to meet national goals. In this model universities are strictly supervised and controlled by the government or state and little autonomy is given to the universities (Dobbins et al., 2011). The government has strong influence on research contents and on resources allocation. The state-center model is characterized by high degree of hierarchy.

In regard to Saudi Higher education system, The Saudi Government control public higher education institutions. The Saudi universities are following a hierarchical structure of decision-making. The highest authority refers to the Council of Education. The Council of Education regulates the higher education system. The council dictates national higher education rules and regulations and controls the establishment of new higher education institutions and programs. The next level of governance is the Ministry of Higher Education. The Ministry follows the Council's decisions and rules. The Ministry of Education is responsible of the operation and quality of all Saudi universities. The University Council is responsible about running the university on a day-to-day basis (Al-Eisa and Smith, 2013).

4.3.2: Self-Rule Model

In this model, the university is not attaining external goals. The university follows the freedom of learning and research (Davidovitch & Iram, 2015). This type of governance does not need coordination between the university's strategy and political or industrial goals. King Abdullah University for Science and Technology (KAUST) consider as an example of self-rule model in Saudi Arabia. KAUST is the first an autonomous higher education institution in Saudi Arabia. The university is operated to support the development of a knowledge society in order to create a world-class premier university. The university is independent institute which has its own Board of Trustees. KAUST vision is to be a destination for scientific and technological education and research. The university is separate from the Ministry of Education governance which give KAUST opportunity to fulfill its goals.

4.3.3: The Market-Oriented Model

This model derived from the capitalist approach which claims that firms acquire high levels of efficiency in situation of competition and free market. Universities compete with each other for better financial resources and students. Managers of the universities present themselves as entrepreneurs. Another term of market-oriented model is entrepreneurial university model. This model uses the principles of private industry's management principles to be performance-based funding. The university in this model is recognized as a strategic resource and an investment. The role of government in this model is to provide competition and advance the transparency and quality assurance in academic institutions (Davidovitch & Iram, 2015). This model is used by majority of private universities and colleges in Saudi Arabia. These organizations provide distinguished majors that are highly needed in the Saudi market. For example, Batterjee Medical College for Science and

Technology is one of the first private specialized in medical. The college desire to achieve excellence in medical education with international standards. The government doesn't plan the higher education of the private colleges however; the government increases the competition, quality assurance and transparency in institutions.

The Case of Jeddah University

The Royal Decree No. 42418 Dated 24 September 2013 was issued to approve the Higher Education Council's resolutions adopted at its 72. Session on: 14 April 2013, to establish the University of Jeddah. Jeddah University has a strong strategic plan. It has been established new programs to support achieving the Saudi 2030 vision. By applying good governance, the university is able to show its annual reports. At this time, The University is restructuring its strategic plan as mentioned in its own website.

The University has made progress in formulating its first strategic plan under the National Transformation 2020 program and the 10th Development Plan to achieve the vision of Saudi Arabia 2030. It seeks to coordinate its resources and develop its capabilities with the external opportunities available in the medium and long term to achieve its objectives according to the vision of the Kingdom of Saudi Arabia Saudi. The university had to cope with the changes that positively or negatively affect its strategic plan, and to look into the future through in-depth studies, clear plans, mechanisms for implementation and strategic evaluation. In this spirit, and in order to achieve the University's goals and policies, it has become necessary to have an office to achieve Higher Education Governance as Applied in Jeddah University

The Suggested Framework to achieve Saudi 2030 vision by applying higher education governance

Establishing plans that include activities of higher education governance assure best outcomes from the educational system of the university. The study suggests a framework to be applied in Jeddah University by applying system approach. According to Salam (2015) in educational industry, system approach means to do something systematically. The inputs are the objectives and objectified contents. Processes are the method of delivery of contents and outputs are the end-product of educational inputs and processes. The input, process and output has to be relevant and must have the right mix of objectives.

In the recommended framework, the paper believes that if Jeddah University developed a higher educational governance framework as a systematic process, the University will have strong governance principles which offer sustainable results and assure achieving the Saudi 2030 vision. The framework have the Saudi2030 vision and programs as input that has to be understood and translated to applications in the process vase to achieve the government's transformational goals.

Input	Process	Output The applied higher education governance
Saudi 2030 Vision and programs	-Developing the university main vision and plans from the government vision	**Responsibility**
Vision, mission and strategic plans	-Developing specific, and long term goals to achieve the vision	
Selection of participants	-Developing criteria to select the board of directors, stakeholders, share holders. -Defining roles and responsibility to each level and clarifying the current and future plans	**Transparency** **Effective Participation**
Internal and external Audits	-Providing annual reports about the university's financial and managerial progress	**Transparency** **Accountability**
Models of higher education governance	-Adapting more than one model to achieve the diversity of outcomes	**Functional Empowerment** **Fairness**
Colleges and programs	-Creating new majors that support the transformational vision -Connecting the programs content to the Saudi 2030 vision	
students	-Setting admission requirements -Offering training and developing sessions	

Figure1: Suggested framework to apply higher education governance under the light of Saudi 2030 vision

I.Methodology

This study used the descriptive method which chosen to evaluate the Understanding of higher education governance principles among University of Jeddah employees. Descriptive studies are observational studies. The descriptive method is often the first step into a new topic, event, or condition. Descriptive studies can be divided into two roles - those studies that emphasize features of a new condition and those which describe the health status of communities or populations. Descriptive studies can highlight associations between variables or between exposure and outcome variables, they cannot establish causality. In this section: research questions and hypothesis, sample and data collection.

1. Research Question/Hypothesis

The study sought to answer the following research questions tested by hypotheses derived from the study's research questions.

1.1: Research Questions

For the purpose of this study, the following question were addressed to test these variables:
The tested principles are: transparency, accountability, effective participation and functional empowerment.

RQ1. Do Jeddah university employees able to apply university governance since they know the governance principles?

RQ2: What difficulties that universities are facing in applying governance?

1.2: Research Hypotheses

The hypotheses raised from the previous questions are:

H1: There is positive relation between Employees of Jeddah University understanding to the principles of higher education governance the extent of its application.

H2: The decreased number of difficulties in applying university governance consider as positive application to universities governance.

II. Results and Discussion

1. The Sample and data collection

The study included 97 employees from Jeddah University. The employees are either faculty members or administrative. According to this, Ninety-seven participants agreed to volunteer for this study. The sample was 83.5% female (*n* = 81) and 16.5% male (*n* =16).

Table 1

Frequencies of Gender

	Frequency	Percent
Female	81	83.5
Male	16	16.5
Total	97	100.0

Table 1: Frequencies of Gender

Table 2 shows that the sample employee status consisted of 67.0% faculty member (*n* = 67) and 33.0% administrative (*n* = 22) which indicates that the majority of the participant are Faculty members.

Table2
Frequencies of Employee

	Frequency	Percent
Faculty member	65	67.0
Administrative	32	33.0
Total	97	100.0

Table2: Frequencies of Employee

2. Data Collection

The data derived from surveys completed by N = 97 faculty member and administrative enrolled at University of Jeddah during the autumn semester. All Jeddah University employees work during this semester (2018) was invited to complete a questionnaire. The data was provided by online survey. Simple random was used for sampling method. The study used an electronic questionnaire. To approve the real participants, the researcher contacts the employees by mobile and email asking them to answer the questionnaire. Moreover; Jeddah university website is another resource for data collection. The website has been used to provide information related to the board of the university and the strategic plans of the university governance.

Instruments

The questionnaire involving questions on socio-demographical characteristics (gender and employee status) and furthermore, the employee were asked to state what they able to understand about applying university governance and what difficulties that university is facing in applying governance were used to collect the data.

Respondents were provided a likers type options for each item with respondents being asked whether they thought Principle of transparency, Principle of accountability, The principle of effective participation, The principle of effective participation, Principle of functional empowerment and Difficulties in practicing the principles of governance should be from “disagree = 1” to “agree=5” should made available with each scenario. The first factor: transparency consists of 10 items, the second factor: accountability consists of 7 items, the third factor: effective participation consists of 6 questions, the fourth factor: functional empowerment consists of 7 questions and the last factor: difficulties in practicing the principles of governance at the University of Jeddah consist of 11 questions.

Responses for each of these questions were then summed to create an overall factor scores. With each response being receiving a value of 1 and 5, respectively, all factor scores for each respondent could range from a minimum score of 1 to a maximum score of 5. That is higher scores reflect greater positive transparency, accountability, effective participation and difficulties to universities governance.

3. Descriptive Statistics for Factors

In this section, each factor of the principles will be discussed moreover, the difficulties in practicing these principles will be shown. To attain the best results correlation analysis by using Pearson correlation coefficient test and t-test will be explained.

Table 3

Descriptive Statistics for Factors

	N	M	SD	Median
Transparency	97	3.40	1.21	3.70
Principle of accountability	97	3.51	1.08	3.86
The principle of effective participation	97	3.41	1.23	3.67
Principle of functional empowerment	97	3.69	1.15	4.00
Difficulties in practicing the principles of governance	97	3.75	.89	4.00

Table 3 Descriptive Statistics for Factors

The table 4 shows that the mean Transparency value is 3.40 and the standard deviation for this score is 1.20. The median scores observed on the transparency scale exceed 3.70 points. There were no missing scores for all scales. The Principle of accountability, the average point is 3.51 with 1.08 standard deviation. The principle of effective participation, the average point is 3.41 with 1.23 standard deviation. The Principle of functional empowerment, the average point is 3.69 with 1.15standard deviation. And Difficulties in practicing the principles of governance, the average point is 3.75 with 0.89 standard deviation. According to this, the five factors are above average, indicating that Jeddah University has a medium to high level of transparency, accountability, effective participation and Functional empowerment. On the other hand the result indicates that Difficulties in practicing the principles of governance has high level.

II.Discussion of Results

As a result, the perceived principles factors were significantly different according to the gender of university employees. It is seen that women employees have more favorable effects on all principles factors. On the other hand, the perceived principles factors did not differ significantly from the occupational groups of the university employees. The extent of staff understanding to the higher education governance in Jeddah University is medium to high which is similar to the study conducted by Abu Kaream and AlThwaini (2014). The employees in this study have good knowledge about the regulations and policies of the universities. The university has high level of transparency with employees as seen in the results. In general female participants registered better understanding to the principles of higher education governance that applied in Jeddah University than male. The effective participation has the lowest level of agreeableness, majority of participants selected neutral. However; the question about innovation’s participation has the highest score in the effective participation section which indicates that Jeddah University has activated the Saudi 2030 vision programs of improving human capital to increase innovation. However; the results were similar to the study of Al-Muslat (2018) in the order of the principle application and understanding. Functional Empowerment has the highest degrees of acceptance, then accountability, in third level comes the effective participation and transparency. The reason behind this is that the university has been established in 2013 and majority of participant has joined the university currently.

III. **Conclusion**

The paper entitled:" The Saudi Universities' Governance under the Light of Saudi 2030 Transformational Vision: Case of: Jeddah University" has discussed the term corporate governance by defining the related concepts, principles, theories and strategies. Then the paper concentrated on higher education governance in Saudi Arabia presenting the models of governance in higher education system and providing example for each model. The study main focus was to link higher education governance to the Saudi Arabia 2030 vision assuming that higher education governance allow universities to attain best results from the educational process to provide the country with strong and skillful human capital which help in transforming Saudi Arabia from oil-based country to knowledge-based country. Regarding the case of the study, the researcher aimed to measure the extent of the employees of Jeddah University to the higher education governance principles. The results showed positive results in regard to the employees understanding to the principles of corporate governance. Moreover, the results showed medium to low difficulties that hindered Jeddah University from applying governance which indicated that the hypothesis are acceptable and the application of higher education governance assure providing accountable system to serve the transformational vision of Saudi Arabia.

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An Ongoing Race: Family CEOs vs. Non-Family CEOs

ABSTRACT

Recent studies have established that non-family CEOs invariably outperform family CEOs. In this paper, we argue that the case against family CEOs could be overstated. Applying a contingency theory, we propose that the growth stage of the firm and management practice domains moderate the influence of CEO type on firm performance. Using the dataset of 1288 family firms collected as part of the World Management Survey, we find support for most of the hypotheses. Finally, we draw attention to the conceptual and practical implications of our findings.

Keywords: Family Business, CEO, Management Practice, Family Firm Performance

Introduction

A committed group of family owners driven by desire to secure the transgenerational control of the business is what generally distinguishes family firms from non-family firms (Chua, Chrisman, & Sharma, 1999; Kraus, Harms, & Fink, 2011). However, family firms also exhibit a significant heterogeneity. In the past, researchers often have focused their analysis on trying to identify the differences between family firms and non-family firms (e.g., Miller, Le Breton-Miller & Scholnick, 2008; Anderson & Reeb 2003; DeAngelo & DeAngelo, 2000; Gomez-Mejia, Nunez-Nickel, & Gutierrez, 2001; Morck, Stangeland, & Yeung, 2000). In contrast, recent studies have attempted to reveal some meaningful differences among the family firms that may vary quite considerably in terms of their strategies and management practices (Daspit, Chrisman, Sharma, Pearson & Mahto, 2018; Hughes, Filser, Harms, Kraus, Chang, & Cheng, 2017).

Firm leadership represents an important aspect of family-firm heterogeneity. In the family-business literature, firm leadership has been examined from various perspectives (Arzubiaga, Iturralde, Maseda, & Kotlar, 2018; Kraus et al., 2011; Xi, Kraus, Filder, & Kellermanns, 2015). For example, scholars have investigated why successors are frequently less successful than the founders (Handler, 1990; 1994; Sharma, Chrisman, & Chua, 2003). Scholars also have examined the impact of CEO type on family firms' performance and contrasted family CEOs who are family members and non-family CEOs who are not family members (Miller et al., 2014; Zona, 2016; Bandeira et al., 2018).

Overall, the empirical investigations of the relative effectiveness of family CEOs vs. non-family CEOs as top executives of the family firm have yielded mixed results. Some studies have established the superiority of family CEOs, purportedly thanks to their intimate knowledge of the family and family firm and a higher level of commitment to family firms' long-term goals (Sciascia & Mazzola, 2008; Zellweger, 2007). In contrast, most studies have demonstrated the superiority of non-family CEOs over family CEOs ostensibly thanks to non-family CEOs' fortes, i.e., knowledge, management talent, competence, experience and expertise (Bloom & Van Reenen, 2006; 2007; Miller et al., 2014; Chrisman, Memili, & Misra, 2014; Jaskiewicz et al., 2017).

Furthermore, family firms' inferior performance under family CEOs compared to non-family CEOs has been explained by that family firms with family CEOs at the helm exhibit lower R&D intensity and are less likely to adopt risky strategies that could be very advantageous in case of success (Gomez-Mejia et al., 2003). Respectively, studies have shown that family CEOs' negative effect on performance can be the greatest "in fast-growing industries, industries with highly skilled labor force, and relatively large firms" (Bennedsen et al., 2007: 647). Family CEOs' negative effects on firm performance also have been attributed to their cognitive constraints (Casson, 1999) and unawareness of progressive management practices (Bloom & Van Reenen, 2006; 2007).

Such startling findings regarding family CEOs' negative effect on family firms' performance (Gomez-Mejia et al., 2003; Bennedsen et al., 2007; Bloom & Van Reenen, 2006; 2007; Miller et al., 2014; Chrisman et al., 2014; Jaskiewicz et al., 2017; Bandiera et al., 2018) as well as the opposite findings illustrating family CEOs' advantages over nonfamily CEOs (Sciascia & Mazzola, 2008; Zellweger, 2007; Zona, 2016) call for further investigation into the relative effectiveness of the two CEO types (family CEO vs. nonfamily CEO) as family firms' top executives. Better understanding of family CEOs' vs. nonfamily CEOs' strengths and weaknesses could contribute to research on the sources of family firms' heterogeneity. Moreover, clarifying the question regarding the relative effectiveness of family CEOs vs. non-family CEOs is important from a practical standpoint. It could help family firms make their succession transitions more successful. If a family firm makes the right decision in choosing between a family CEO and a non-family CEO as leader that could improve its performance and increase the owners' wealth and wellbeing for a long time to come.

In this paper, we argue that the case against family CEOs in the family business literature (Bennedsen et al., 2007; Bloom & Van Reenen, 2006; 2007; Miller et al., 2014; Jaskiewicz et al., 2017; Bandeira et al., 2018) may be overstated. Contingency theory (Donaldson, 1987; Sitkin, Sutcliffe, & Schroeder, 1994) suggests that there is no one superior way to organize. Instead, it claims that when "a good fit between structural and contextual (contingency) characteristics" (Meilich, 2006, p. 161) exists, organizational performance will improve. Contingency theory also holds that the structural characteristics of an organization, e.g., formalization, decentralization, and structural differentiation could affect its performance depending on environmental uncertainty, firm size, scale, technology as well as resource dependence (Lawrence & Lorsch, 1967). More recent studies analyze not only the effects of such contingency variables as environmental munificence, dynamism, and complexity but also the influence of the varying levels of each of these variables, and moreover, their interaction (Davis, Batchelor, & Kreiser, 2019).

Applying contingency theory, we hypothesize that the effect of CEO type on family firms' performance will be contingent on the stage of firm growth and area of management practice. Bloom and Van Reenen (2006; 2007) have identified the four types of management practice that can affect a firm's performance: operations, targets, monitoring, and talents.

Respectively, we argue that the advantage of nonfamily CEOs over family CEOs established in the family business literature (Bennedsen et al., 2007; Bloom & Van Reenen, 2006; 2007; Miller et al., 2014; Jaskiewicz et al., 2017; Zona, 2016; Bandeira et al., 2018) may be contingent on the area of management practice. In other words, we hypothesize that family CEOs and nonfamily CEOs may exhibit specific strengths and weaknesses in various areas of management practice so that the nonfamily CEO advantage will vary from nonexistent to substantial.

Our empirical (re)examination of the data collected as part of the World Management Survey spearheaded by Bloom and Van Reenen (2006; 2007; 2012) has shown that non-family CEOs' advantage, indeed, exhibits some interesting dynamics. It increases as family firms grow but after reaching a certain tipping point, larger sales volume is actually associated with smaller and smaller benefits to family firms led by non-family CEOs. Hence, an inverted U-shaped relationship exists between family-firm growth and non-family CEO advantage. In our view, this curious effect could be explained by that larger family firms led by family CEOs can catch up to family firms led by non-family CEOs via contingent learning and by hiring seasoned professional managers that could compensate for family CEOs' deficiencies.

As hypothesized, we also find that non-family CEOs' advantage is contingent on the area of management practice. In fact, such advantage is non-existent in the area of goal setting and goal coordination (i.e., "targets"). It is moderate in the area of advanced methods adoption and problem management (i.e., "operations") and performance monitoring and performance improvement (i.e., "monitoring"). Finally, non-family CEOs enjoy a strong advantage over family CEOs in the area of talent pool management and talent development (i.e., "talents"). Overall, we show that the family firm's performance is affected by CEO type (family CEO vs. non-family CEO) contingent on firm growth and area of management practice.

A significant contribution of the study is that it offers an alternative perspective on the influence of family ownership and family management on the family-firm performance. Previous research has established that a linear relationship exists between these variables, either positive (Anderson & Reeb, 2003; Zellweger, 2007) or negative (Sraer & Thesmar, 2007). Some studies, though, found that no relationship exists between family ownership, family management and firm performance (Daily & Dollinger, 1992; Filatotchev, Lien, & Piesse, 2005). In addition, other studies have established that a non-linear relationship exists between family ownership and management, on the one hand, and firm performance, on the other hand, so that family ownership and management initially play a positive role as stewardship tendencies prevail over stagnation tendencies, but subsequently, family ownership and management play a negative role as stagnation tendencies prevail over stewardship tendencies (Sciascia & Mazzola, 2008).

In contrast, we establish that family management represented by family CEOs begins to underperform non-family management represented by non-family CEOs as family firms start to grow considerably, but after reaching a certain tipping point, further firm growth is associated with diminishing returns to the non-family CEO advantage. The latter finding is critical. It demonstrates that the reason nonfamily CEOs outperform family CEOs is not that nonfamily CEOs have superior talent and expertise, as it was hypothesized in many prior studies (e.g., Bloom & Van Reenen, 2006; 2007). If nonfamily CEOs outperform family CEOs this is because they transform family firms' outdated management practices quite dramatically. Family firms typically exhibit impressive strengths in the "targets" area of management practice. This explains why non-family CEOs and family CEOs both do well in this domain. In contrast, family firms exhibit weaknesses in the "talents" area of management practice, presumably, because of lagging behind in terms of employee selection and training. However, family CEOs could improve their record by paying greater attention to those areas of management practice in which they underperform nonfamily CEOs.

Family Firms and Professionalization

A family firm can be managed by a family CEO selected from family members or by a nonfamily CEO recruited from the labor market. Research has shown that family CEOs selected from a small talent pool of family members may not have the requisite managerial capabilities leading to adverse effect on firm performance (Handler, 1992; Lansberg, 1999; Bertrand & Schoar, 2006; Perez-Gonzalez, 2006; Bennedsen et al., 2007; Lin & Hu, 2007; Bloom & Van Reenen, 2006; 2007; Mehrotra et al., 2013; Miller et al., 2014). In addition, many studies have pinpointed a variety of contingencies that may affect family firm CEO performance.

Thus, scholars have argued that nonfamily CEOs may have a positive effect on performance when superior managerial skills are required and the family firm has low cash-flow rights and weak control but could have a negative effect when nonfamily CEOs are highly controlled by the family (Lin & Hu, 2007). Similarly, other scholars have shown that nonfamily CEOs positive effect on firm performance may be stronger under dispersed family ownership that hampers CEO monitoring than under highly concentrated ownership that facilitates monitoring (Miller et al., 2014). Other studies have shown that family firms are more likely to select a family member as CEO when they experience a greater need in business-specific knowledge; conversely, family firms are more likely to select a seasoned non-family member as CEO when they experience a greater need in access to technical, industry-specific knowledge (Royer et al., 2008). Research also has indicated that family-firm professionalization, and its hiring and compensation strategies (Chrisman et al., 2014) may influence nonfamily CEO advantage.

Prior research has established that CEO succession processes exhibit nonlinearities, i.e., firms in the midrange performance cluster are more likely to invite outsiders as CEOs (Dalton & Kesner, 1985) relative to best and worst performers. Furthermore, some authors have suggested that family ownership and family management can be related in a non-linear fashion to firm performance (Sciascia & Mazzola, 2008; Mazzola et al., 2013). Applying similar reasoning, we expect that nonfamily CEO advantage will be nonlinear. When family firms are small, nonfamily CEO advantage may be small. In fact, family firms could even suffer losses from premature professionalization that is likely to be prohibitively expensive for small businesses. However, as family firms grow, they could benefit from hiring professional managers as CEOs. Still, nonfamily CEO advantage may grow up to a certain tipping point. As family firms become larger family CEOs may be able to apply some compensatory strategies to make up for whatever deficiencies they may have compared to nonfamily CEOs. Although firm growth may fuels nonfamily CEO advantage, family CEOs' compensatory strategies could allow them to catch up to nonfamily CEOs. Hence, nonfamily CEO advantage may initially increase following family firm's growth but after reaching a tipping point it may begin to subside leading to diminishing returns. To summarize:

Hypothesis 1: Firm size moderates nonfamily CEO's advantage over a family CEO: as family firm grows, it will first increase and then begin to decrease thus following a nonlinear (concave) pattern.

Areas of Management Practice

Operations: Advanced Methods Adoption & Problem Management

Family firms often lag non-family firms in their willingness to adopt advanced management practices, such as the Total Quality Management (TQM) (Ellington, Jones, & Deane, 1996). The adoption of these advanced management practices requires delegation of decision-making responsibilities (Ellington et al., 1996), which family managers tend to oppose, especially the delegation of authority to non-family employees (Hofer & Charan, 1984). Some family firms, though, may develop strong competencies in innovation management as they internalize and advance past knowledge effectively (De Massis, Frattini, Pizzurno, Cassia, 2015). Hence, family CEOs could outperform non-family CEOs due to their embeddedness in the family tradition and a penchant for fusing tradition and innovation (De Massis et al., 2015; De Massis, Frattini, Kotlar, Petruzzelli, & Wright, 2016). Unfortunately, family firms' innovativeness may atrophy over time (Bennedsen & Foss, 2015). This can happen if family CEOs adhere to an outdated tradition imprinted by the founder(s) while obstinately resisting change (Bennedsen & Foss, 2015).

Although family firms may have a significant advantage over non-family firms in integrating innovation with the family tradition (Sirmon, Arregle, Hitt, & Webb, 2008; De Massis et al., 2015), family firms often fail to adopt advanced management methods (Ellington et al., 1996). Tus, family firms may long tolerate some recalcitrant problems regarded as unavoidable and favor incremental innovation over radical innovation (Chrisman & Patel, 2012;

De Massis et al., 2015). Family CEOs are more likely than non-family CEOs to retain these shortcomings characteristic of family-firm management. Consequently, we conclude that family firms led by family CEOs are likely to underperform family firms lead by non-family CEOs in "operations." To summarize:

Hypothesis 2: *Family firms led by nonfamily CEOs will outperform family firms led by family CEOs in the area of advanced methods adoption and problem management ("operations").*

Monitoring: Performance Appraisal & Improvement

Growing family firms, similar to growing nonfamily firms, need to institute customized performance assessment procedures (Flamholtz & Randle, 2007; Hughes et al., 2017). Importantly, hiring non-family CEOs does not always lead to the improvement of family firms' monitoring practices (Hall & Nordquist, 2008). This could be because the power and meticulous control of nonfamily CEOs by family owners may limit nonfamily CEO's ability to effectively design and implement monitoring practices in the family firm (Dekker et al., 2015). Still, family CEOs could underperform non-family CEOs in setting up professional-quality monitoring practices if a family CEOs lacks the sufficient technical knowledge and experience in this area (De Massis et al., 2015). In addition, family CEOs as insiders, generally experience difficulties in implementing a profound cultural change (Zhang & Rajagopalan, 2010). Hence, family firms often hire non-family CEOs to negotiate agreements between the conflicting family members (Klein & Bell, 2007). Thus, nonfamily CEOs are likely to outperform family CEOs in the area of monitoring. To summarize:

Hypothesis 3: *Family firms led by non-family CEOs will outperform family firms led by family CEOs in the area of performance appraisal and improvement ("monitoring").*

Targets: Setting Motivating Goals and Goal Coordination

Family firms usually pursue a more complex combination of goals compared to non-family firms (Gomez-Mejia, Makri, & Larraza-Kintana, 2010; Kotlar & De Massis, 2013; Mahto, Davis, Pearce, & Robinson, 2010). The overlap between ownership, family systems and business systems can explain the extreme complexity of goal setting in family firms (Kotlar & De Massis, 2013). Moreover, it may be difficult for family firms to develop the so called "stretch goals," i.e., difficult to accomplish but motivating aims, as well as to coordinate different and often-conflicting types of goals related to: (1) employees; (2) owner security and benefits; (3) new products and product quality; (4) owner personal growth, social advancement and autonomy; (5) corporate citizenship behavior and accomplishments; and (6) lasting employee job security (Tagiuri & Davis, 1992).

A family firm's tendency to preserve the Socioemotional Wealth (Gomez-Mejia, Campbell, Martin, Hoskisson, Makri, & Sirmon, 2014; Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010) induces family firms to overemphasize long-term goals and underemphasize short-term goals. In doing so, family firms, especially those led by family CEOs, may undermine the delicate balance between the long-term goals and short-term goals (Gomez-Mejia et al., 2014; Kotlar & De Massis, 2013). Moreover, a family CEO's concerns about maintaining family unity could prompt the CEO to adopt some goals that are exceedingly easy-to-achieve that may be focused on the preservation rather than maximization of family wealth. Conversely, as opportunistic agents, non-family CEOs could overstress the short-term goals to maximize their own pecuniary and non-pecuniary rewards, at the expense of the principal, i.e., the family firm. Fortunately, some nonfamily CEOs may integrate very well into the family, and moreover, nonfamily CEOs may be effectively controlled by the family (Miller et al., 2014). Consequently, non-family CEOs with superior management talent may exhibit superiority over family CEOs in balancing short-term goals and long-term goals and setting stretch goals. Hence, we propose that nonfamily CEOs will have an advantage over family CEOs in the “targets” area of management practice. To summarize:

Hypothesis 4: *Family firms led by non-family CEOs will outperform family firms led by family CEOs in the area of setting motivating “stretch” goals and goal coordination (“targets”).*

Talents: Talent Pool Management & Talent Development

In family firms, human resource (HR) management represents an often-overlooked factor that may have a strong effect, though, on family firms; performance (Astrachan & Kolenko, 1994). In recent studies, the importance of HR management for family firms has been reemphasized (McDowell, Peake, Coder, & Harris, 2018). Family firms tend to favor family employees over non-family employees even when the latter are more competent (Klein & Bell, 2007). Family leaders also engage in nepotism (Bertrand & Schoar, 2006). Recent research has shown that, under certain circumstances, reciprocal nepotism, based on generalized social exchange, could benefit a family firm (Jaskiewicz et al., 2013). This may happen if a family member feels indebted to the family for employment and works hard to return the favor (Jaskiewicz, Uhlenbruck, Balkin, & Reay, 2013). Conversely, entitlement nepotism may have a negative effect on the family firm. This could happen if a family member takes a position in the family firm and takes the respective rewards for granted without assuming or performing the responsibilities required for the position (Jaskiewicz et al., 2013). Asymmetric altruism could also make founders favor their untalented offspring over competent but unrelated non-family employees (Schulze, Lubatkin, Dino, & Buchholtz, 2001; Shulze, Lubatkin, & Dino, 2003; Chrisman et al., 2014).

Furthermore, family CEOs may be willing to mentor their sons and daughters yet refuse to coach non-family employees, often regarded as ungrateful outsiders who are disloyal and uncommitted to the family firm (Bertrand & Schoar, 2006). Moreover, family CEOs may even view their own offspring sometimes with suspicion and apprehension as imminent successors and refuse to share knowledge with them, so that they could retain their top management position indefinitely (Eddleston, Otondo, & Kellermanns, 2008).

Ultimately, family firms' inherent problems in the area of talent pool management and development can be explained by their binary structure (Lansberg, 1999). Family firms combine the two opposite institutional principles: bureaucratic hierarchy based on competence and rank and familial kinship based on the relatedness by blood and affinity through socialization, and communication (Lansberg, 1999). Based on such arguments showing that family CEOs may favor family employees and mistreat or disregard nonfamily employees, we suggest that nonfamily CEOs are likely to be superior to family CEOs in talent pool management and development. To summarize:

Hypothesis 5: *Family firms led by nonfamily CEOs will outperform family firms led by family CEOs in the area of talent pool management and talent development ("talents").*

Methods

Data collection

To test our hypothesis, we used one of the datasets collected as part of the World Management Survey (WMS) initiative (Bloom & Van Reenen, 2006, 2007). The dataset contains information about firms from over 30 countries operating in the manufacturing, healthcare, education and retail industries (Bloom & Van Reenen, 2006; 2007). WMS measures of management practice were designed to capture the drivers of the Total Factor Productivity (TFP). WMS seeks to answer the question: How could a firm produce its goods or services in a more efficient way? The data was collected via interviews with the top executives and other senior managers. To measure the management area of monitoring, interviews began with the question "*can you tell me how you monitor your production process*?" The second question was: "*What kinds of measures would you use to track performance?*" The third question was: "*If I walked round your factory could I tell how each person was performing?*" WMS used these broad, open-ended questions to minimize the chance of steering the respondents toward a certain answer.

WMS used a 'double blind' technique. Thus, the interviewed managers did not know that they were being scored on their performance or shown the scoring grid. Respondents were only told that that the subject was management practices and the purpose was to write a paper (the words "survey" or "research" were avoided because of their connotations with market research). The interviewers had no information about the firm's performance. They only knew the company's name, telephone number and the industry. Furthermore, only skilled interviewers—graduate students with relevant business experience—were commissioned to conduct the interviews.

This double-blind approach was applied to prevent the respondents from seeking higher scores and to avoid bias in assessing firm performance. WMS used a grid for measuring each item on a scale from 1 to 5. A firm would get a score of "1" if its monitoring was assessed as follows: "*Measures tracked do not indicate directly if overall business objectives are being met. Tracking is an ad-hoc process (certain processes aren't tracked).*" A firm would get the highest score of "5" if its monitoring was assessed as follows: "*Performance is continuously tracked and* *communicated, both formally and informally, to all staff using a range of visual management tools.*" Based on the resulting cores, the standardized Z scores for each area of management practice and across all the areas of management practice were computed for each firm in the dataset.

Sample

The manufacturing management survey examined firms from 20 economically advanced countries. These firms were drawn from the national firm databases and company registries. The total number of firms in the original sample was 9,079; 1288 of them were family firms. Among the family firms, 254 were led by nonfamily CEOs and 1034 were led by family CEOs. In our sample, only the family firms were retained. It comprises 1288 family firms from 11 countries. We report the descriptive statistics on performance indicators, firm size and management practices in Table 1. Table 2 reports the mean scores for all the management practices by CEO type.

-------------------- Insert Tables 1 and 2 around here----------------------

Empirical specification

We conducted a two-step analysis. At first step, we showed that the logarithm of sales, regarded as a proxy for firm growth, is contingent on CEO type (Family vs. Nonfamily). Our empirical specification for the Ordinary Least Squares (OLS) analysis that controls for country effects, industry and firm size is as follows:

$$y_i = \alpha_i + \beta_1 \delta_i + \sum_{2}^{n} \beta_i X_i + \varepsilon_i$$

The dependent variable y is firm performance measured by log of sales. Note that a linear relationship would indicate that the presence or absence of a family CEO in the family firm would change sales (y) by β_1 dollar. Such linear specification would make less sense than a log-linear specification, especially for our sample that represents a cross-section of firms from many different countries The latter assumes that the presence or absence of a family CEO would change sales (y) by β_1 percent. Another reason for taking log is that our sales data is right skewed – there are more firms with sales below the sample average than firms with sales above the sample average. Error terms are assumed to be distributed as $\varepsilon_i \sim iid\ N(0,1)$, where i is the index of firms in the sample. We ran the above regression including and excluding management scores on the right-hand side as it was important for us to understand how much influence CEO type exercises on firm performance not captured by management practice.

The indicator variable δ_i takes the value of "1" if the CEO is a non-family CEO and takes the value of"0" if the CEO is a family CEO. A set of control variables including the log of employee numbers (controlling for firm size), industry and country enters the proposed model as X_i. The reason for using a log of employee numbers as the proxy for firm size instead of using the number of employees (i.e., a linear specification) is that our main objective was to establish the percent change in sales for a percent change in the employee numbers. Consequently, the log-linear specification we used appears to make more sense than the linear specification since the latter would relate a change in sales to an additional unit of labor.

In the second stage, we use the estimates from the kernel density of normalized scores for all the areas of management practices. Kernel density estimation is a data smoothing technique. It does not assume *a prior* that the random variable in question (in our case, the scores for areas of management practice) follows any particular distribution. It thus generates a probability density function where inferences about the population can be made based on finite sample data. Simple descriptive statistics indicate that the raw management scores and their components exhibit significant variation across our sample of family firms We have used the non-parametric kernel density estimation in order to better understand the variability in the management scores (and their components) for all the firms in the sample. Figures 1–4 illustrate the kernel density estimates for each area of management practice and for all management practices.

---------------------Insert Figures 1 – 4 around here-----------------------

We have used these density estimates in order to categorize firms into the two groups: (1) “superior performers” (firms with management practice scores above the density mean) and (2) “inferior performers” (firms with management practice scores below the density mean). Kernel density fitting allowed us to develop an approximation of the true distribution of scores and obtain a better estimate of the mean compared to a simple arithmetic average. We then estimated the marginal effects of CEO type (family vs. non-family CEOs) on the probability that a firm would be in the “superior performer” category, while controlling for country effects, industry effects and firm size proxied by number of employees.

The empirical specification of this part of our analysis can be summarized as:

$$m_i = \alpha_i + \beta_1 \delta_i + \sum_{2}^{n} \beta_i X_i + \varepsilon_i$$

Where m_i is the binary outcome that takes the value of 1 if a firm i belongs to the superior performer class and zero otherwise. The right-hand side is the same as in the equation (1) except that now the set of controls includes a performance measure: log of sales. Since the model is non-linear regression coefficients do not have their usual meanings (as in the OLS). Consequently, we used a Probit model to derive the marginal effects of CEO type (family vs. non-family) on the probability that a firm would be a superior performer.

Results

Using the OLS, we first established that CEO type was significantly and positively related to our measures of firm performance. Furthermore, we concluded that this relationship was independent of firm size, geographical location and industry. The results are reported in Table 3.

--------------------Insert Table 3 around here----------------------

In our base model, the non-family CEO effect on sales is significantly higher compared to the family CEO effect. Specifically, the selection of a non-family CEO increases sales by approximately 32 percent. The OLS model is log-linear, consequently, the exponentiated coefficient of NFC dummy δ_i captures the magnitude of change in sales contingent on the CEO type. This sizeable effect does not change much (a 29-percent increase in sales) when the management score is an additional variable. This shows that the non-family CEO advantage exists.

Using Probit regression, we then estimated the conditional probability that a firm would be a superior performer given a certain CEO type (family vs. non-family). We found that the probabilities were higher for non-family CEOs relative to family CEOs for all the management practices except for targets, with the largest effect being exhibited in the management practice of talents. Table 4 illustrates the results of the Probit regressions as well as the relevant marginal effects.

---------------------Insert Table 4 around here----------------------------

The Probit coefficients are all positive and significant in all the areas of management practice (except "the targets") indicating that having a non-family CEO increases the probability of a firm being in the superior performer class. The marginal effects further indicate the precise magnitude by which non-family CEOs improve the probability of a firm being in the superior management group compared to family CEOs. In Table 5, we report only the marginal effects of family CEOs vs. non-family CEOs indicator variable and omit the controls to make the results clearer.

Figure 5 presents a plot of the marginal effects of CEO type (family vs. non-family), across log sales, using the aggregate management practice scores. The plot indicates that the marginal effect of non-family CEOs governance increases with firm growth, then peaks, and subsequently, begins to subside. This indicates that, as family firms continue to grow, the positive effect of having a nonfamily CEO begins to decrease so that there are diminishing returns. Figure 6 plots similar marginal effects for the talents area of management practice. We observe there the same curvilinear relationship between firm growth and non-family CEO advantage. Consequently, our analysis of the WMS data provides strong support for Hypothesis 1.

---------------------Insert Figures 5 and 6 around here-------------------------

Overall, the talents area was especially affected by CEO type. Ceteris paribus, nonfamily CEOs increased the probability of a firm being well managed in the talents area of management practice (i.e., the talent pool management and talent development domain) by 26 percent, which provides support for Hypothesis 5. In contrast, nonfamily CEO presence in the targets area (motivating goals and goal coordination) increased the chances of a family firm being in the top performer group merely by 8 percent. Thus, Hypothesis 4 was not supported. Hypothesis 2 was supported as the non-family CEOs increased the chances of a family firm being a superior performer in the operations domain by 19 percent. In the monitoring (performance appraisal and improvement) area, nonfamily CEOs presence increased the chances of a family firm being in the superior performer class by 23 percent. Thus, Hypothesis 3 was supported. Across all the areas, nonfamily CEO presence increased the chances that the family firm will be in the superior performer class by 18 percent. The non-family CEO advantage was the greatest in talents and the smallest in targets. Non-family CEOs advantage in the operations and monitoring was in the midrange.

Discussion

Previous studies have conceptualized that family ownership and family management initially have a positive effect on family firm performance when the stewardship attitudes prevail in the family firm, but eventually, family ownership and family management begin to play a negative role due to stagnation (Sciascia & Mazzola, 2008). Curiously, the nonlinearity effect we establish in this paper is exactly opposite to the non-linear effects of family ownership and management discovered in prior research (Sciascia & Mazzola, 2008). In this study, we show that non-family CEO advantage has a particular trajectory. It initially increases progressively following family firm's growth but after reaching a certain tipping point, it begins to subside. Thus, we establish the existence of a nonlinear relationship between CEO type and family firm performance.

Although there could be many different reasons why nonfamily CEO advantage could have such a trajectory, we assume that family CEOs that preside over increasingly large family firms may use various compensatory strategies that would allow them to catch up to non-family CEOs. Such strategies may include adopting a stronger R & D orientation, greater involvement in identifying management problems and searching for their effective solution, greater investment in human resources—including hiring of non-family employees and employee training, more consistent coordination of long-term and short-term objectives and setting "stretch" goals. In addition, vicarious learning from nonfamily CEOs or contingent learning (that is, learning how to operate more effectively in a certain environment by imitating competitor strategies), could help family firms at later stages of growth to make up for family CEOs' deficiencies.

Like founder-CEOs often replaced by professional managers because of failing to professionalize their ventures (Wasserman, 2013), family CEOs may not professionalize family firms as promptly and effectively as non-family CEOs. In fact, nonfamily CEOs often come on board with the specific mandate to execute strategic change. And yet, family CEOs of larger firms have a good chance to catch up to nonfamily CEOs, especially if they wisely surround themselves with a top management team and consistently ensure the structural power equality of family employees and non-family members employees (Patel & Cooper, 2014). Thus, the non-family CEO's advantage presented as stable due to family CEOs' alleged lack of talents (Bloom, Genakos, Sadun, & Van Reenen, 2012) is a function of various contingencies (Chrisman et al. 2014; Miller et al., 2014; Jaskiewicz et al., 2017) that could also be reduced via contingent learning.

Overall, it appears that nonfamily CEO advantage could arise because it may be harder for family CEOs than for nonfamily CEOs to combat some inherent inefficiencies of family ownership. One area of management practice in which nonfamily CEO advantage is the greatest is the area of talent management or human resource management. This is a critical yet frequently overlooked and even neglected area of management practice often accounting for family firms' severe underperformance and failure (Lansberg, 1983; Astrachan & Kolenko, 1994; Dekker et al., 2015). Consequently, family CEOs seeking to catch up to non-family CEOs should focus on talent pool management and development, i.e. talents, and dispense with unfair and outdated HR practices often characteristic of family firms that commonly undermine their performance and growth (Zellweger, Kellermanns, Chrisman, & Chua, 2012).

In contrast, there is no difference between family CEOs and non-family CEOs in the "targets" area of management practice. However, family CEOs should not rest on their laurels but rather seek to build on this strength. Family CEOs are often unwilling to adopt advanced methods of management and problem management, apparently due to their preference for incremental innovation and tolerance of recurrent problems (Ellington et al., 1996; Chrisman & Patel, 2012; Patel & Cooper, 2014; De Massis et al., 2015). Hence, family CEOs should seek to catch up to non-family CEOs in this area by adopting and implementing advanced management methods.

It is especially important to reduce family employees' status-quo attitude, distrust of radical innovation and myopic loss aversion (Chrisman & Patel, 2012; Patel & Chrisman, 2014; Gomez-Mejia et al., 2014). Moreover, family CEOs should identify the recurrent problems in the area of operations in a timely fashion and seek to resolve such problems effectively rather than tolerating them or dealing with the operational problems unsystematically or sporadically (Ellington et al., 1996). Overall, family firms need to wrestle with complacency and enhance efficiency (Patel & Chrisman, 2014).

Finally, non-family CEOs outperform family CEOs in "monitoring," or performance appraisal and improvement, albeit moderately. Family CEOs' underperformance in this area can be explained by the informal family culture undermining family CEOs' continual drive for professionalization. Hence, family CEOs must modify the family tradition that may disavow formalization and oversight and lean toward a paternalistic and informal leadership style. This can be accomplished by decentralizing the family firm, giving managers more decision rights while also changing family employees' nonchalant attitudes toward control and assessment systems (Dekker et al., 2015).

Conclusion

To conclude, this paper makes the following contributions to the family business literature. First, we demonstrate that non-family CEOs advantage is contingent on family-firm growth and displays a specific trajectory so that it initially increases but later begins to subside thus providing diminishing returns. This finding contradicts prior studies that portrayed nonfamily CEO advantage as a function of nonfamily CEOs' management talent, experience and expertise compared to family CEOs (Bloom & Van Reenen, 2006; 2007). Second, we show that the non-linearity effect of family ownership and management has to do with insufficient professionalization of family firms led by family CEOs compared to family firms led by non-family CEOs. This contradicts prior findings showing that family ownership and family management initially exercise a positive effect on family firm performance due to stewardship attitudes inherent in family firms but later begin to play a negative role as they contribute to stagnation (Sciascia & Mazzola, 2008).

Third, our results support previous studies showing that such contingencies as family firms' hiring practices and compensation practices (Chrisman et al., 2014), non-family CEO control by family owners (Miller et al., 2014), and ownership characteristics (Jaskiewicz et al., 2017) can moderate the impact of CEO type (family vs. non-family) on family firm's performance. Our findings have some important practical implications. Family CEOs could use them to inspect some specific areas of management practice in which they exhibit weaknesses compared to non-family CEOs and apply contingent learning to improve their performance. Family firms could also build on our findings in making smart succession decisions that are critical for family firms seeking transformational change (Rubenson & Gupta, 1997; Sharma, Chrisman, & Chua, 2003). Overall, family firms should combine their characteristic emphasis on transgenerational transfer of expertise and control with a strong emphasis on continual professionalization.

Our research does have some limitations. First, our dataset was limited to the manufacturing industry. Therefore, one needs to use caution in generalizing our results to other industries. We believe, however, that our findings are applicable not only to the manufacturing industry but to other industries as well. For example, our study could demonstrate that family firms operating in the service sector need to pay a special attention to modernizing their operations and performance assessment and monitoring as they are facing intense competition from industry giants that excel in these areas. Second, we examined only a few contingency factors. As shown by recent research, network positioning or cognitive styles of family CEOs vs. non-family CEOs could make a difference in their relative success (Burt, 1997; Xiao & Tsui, 2007; Carnabuci & Dioszegi, 2015). Hence, we advise future researchers to examine a larger set of contingencies that may affect the performance of nonfamily CEO-led firms vs. family CEO-led firms. In our view, the drivers of the nonfamily CEO advantage should be investigated very thoroughly.

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Table 1.
Descriptive Statistics of firm variables and management scores (including component domains) for the full sample (based on Kernel density estimates).

	Mean	Std. Dev	Min	Max
Log (Sales)	10.89116	1.206382	6.248043	14.75271
Log(Employed)	5.521252	.9405958	1.609438	9.190138
Management	2.95	1.192083	.952	4.9
Target Setting	2.8	1.191676	.797	4.80
Performance Monitoring	3	1.310675	.797	5.2
Talent Management	2.91	1.25092	.814	5.01

Table 2

Mean scores of management and component domains of sample firms based on CEO-type.

Overall Management	Mean	Standard Deviation
Non-Family CEO	3.189634	.0337393
Family CEO	2.796965	.0186233
Operations		
Non-Family CEO	3.195291	.059342
Family CEO	2.75085	.0317172
Targets		
Non-Family CEO	3.163161	.0407449
Family CEO	2.79044	.0222227
People		
Non-Family CEO	2.911348	.0414228
Family CEO	2.596935	.019302
Monitoring		
Non-Family CEO	3.546341	.033822
Family CEO	3.096803	.0239365

Table 3

Coefficient estimates of OLS regression on size-adjusted performance contingent on CEO type

	Log sales	Log sales
Log employees	0.614***	0.624***
	[0.0783]	[0.0792]
Log TFA[1]	0.341***	0.355***
	[0.0495]	[0.0506]
Management		0.201***
		[0.0545]
Non-Family CEO	0.261**	0.281***
	[0.0814]	[0.0841]
Constant	3.682***	4.122***
	[1.020]	[1.039]
N	1288	1288
adj. R^2	0.815	0.812

[1] Tangible Fixed Asset

Standard errors in brackets

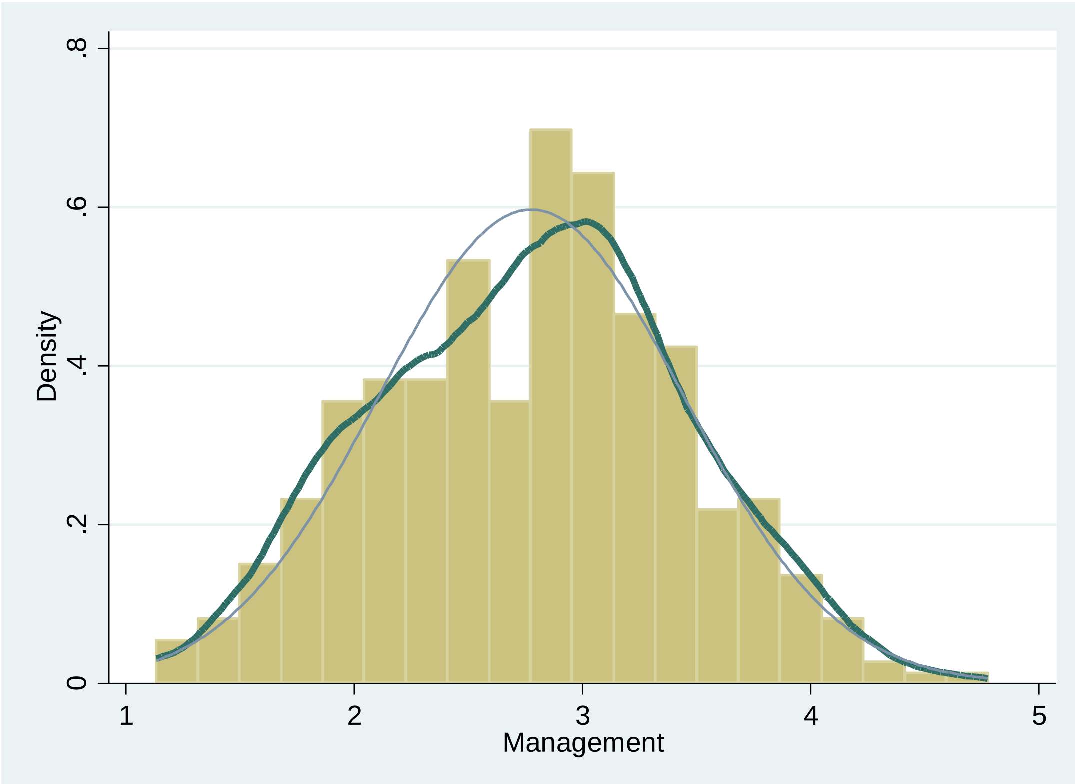
* $p<0.05$, ** $p<0.01$, *** $p<0.001$

Controls includes industry types and country of operations (dummy for each country).We also include controls for reliability of scores such as interviewer characteristics, time of interview etc., details of which are provided with WMS dataset. We only report log of employee number and tangible fixed asset (controls for firm size). Standard errors are in square brackets.

Table 4
Likelihood of Being a Superior Performers in each MP and across component MP domains

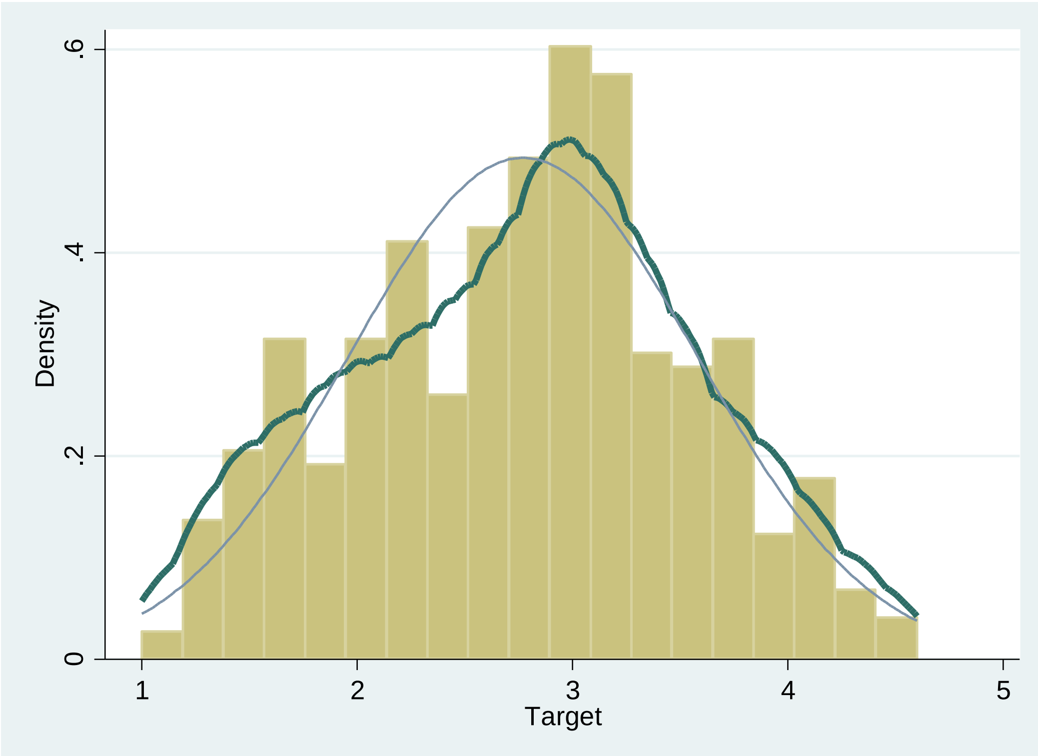
	Model 1 (Likelihood of being a Superior Performer across all MPs)		Model 2 (Likelihood of being a Superior Performer in Operations MP)		Model 3 (Likelihood of being a Superior Performer in the Monitoring MP)		Model 4 (Likelihood of being a Superior Performer in the Targets MP)		Model 5 (Likelihood of being a Superior Performer in the Talents MP)	
	Probit Coef	Avg. Partial Effect	Probit Coef	Avg. Partial Effect	Probit Coef	Avg. Partial Effect	Probit Coef	Avg. Partial Effect	Probit Coef	Avg. Partial Effect
NFC presence	.55 (.162)	.22 (.063)	.14 (.180)	.054 (.070)	.58 (.174)	.20 (.152)	.39 (.167)	.15 (.065)	.40 (.166)	.14 (.060)
Log sales	.13 (.078)		.00 (.081)		.03 (.071)		.22 (.079)		.15 (.078)	
Log Employment	.10 (.107)		.24 (.113)		.09 (.111)		.11 (.110)		-.05 (.099)	
Log TFA[1]	.08 (.072)		-.05 (.069)		.14 (.067)		.11 (.073)		.02 (.076)	

Standard errors (in parenthesis) are robust and clustered based on industry groups.



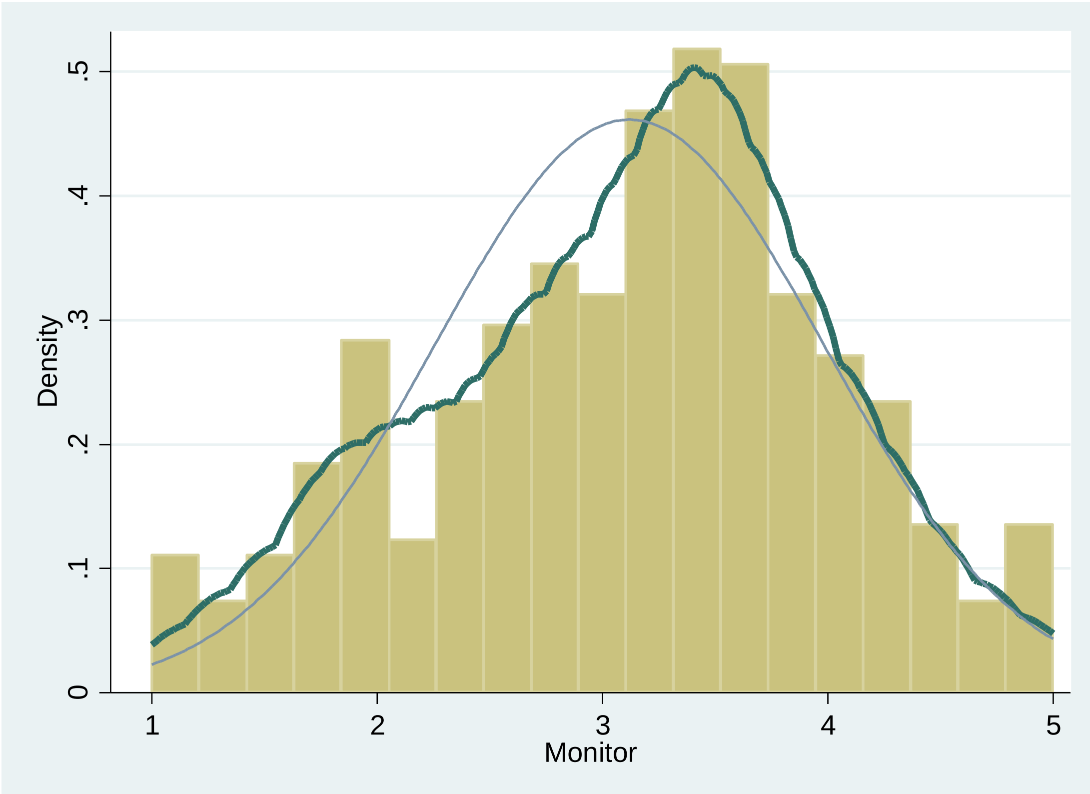
1 indicates worst practice and 5 indicates best practice.

Figure 1. Raw management scores (average across all components), estimates and kernel density estimate plot.



1 indicates worst practice and 5 indicates best practice.

Figure 2. Target Setting component of Management scores, estimates and kernel density estimate plots.



1 indicates worst practice and 5 indicates best practice.

Figure 3. Performance Monitoring component of Management scores and estimates.

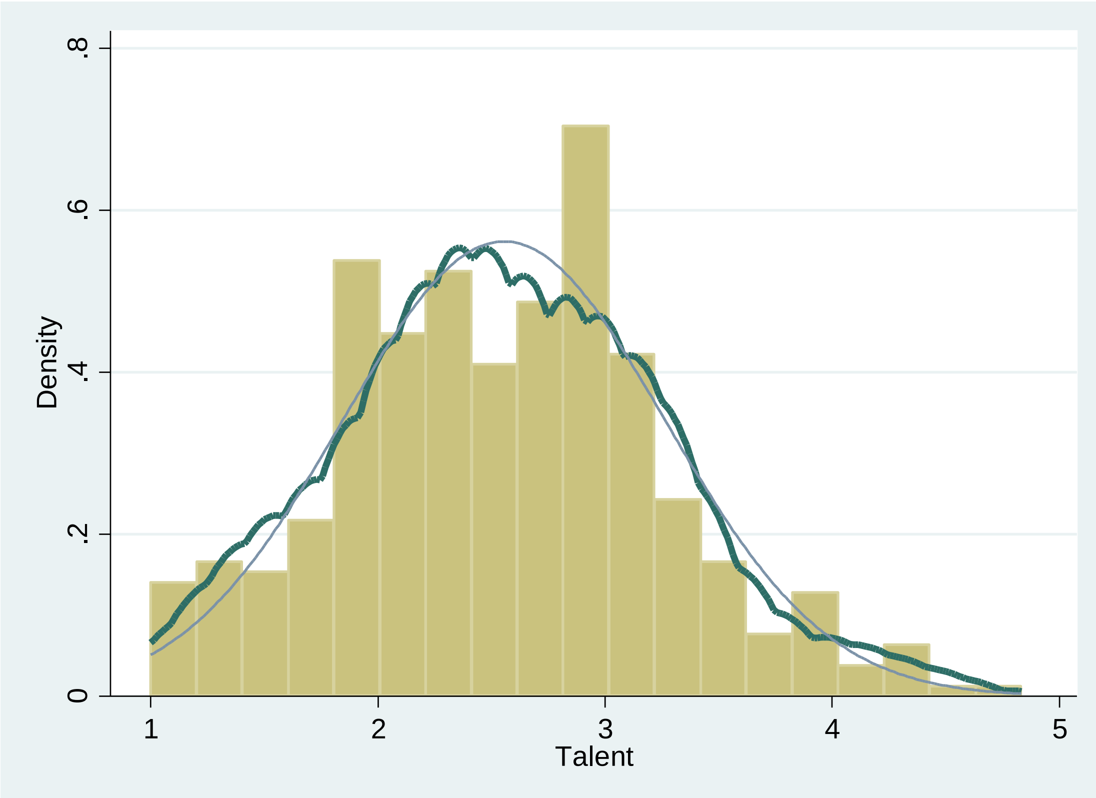


Figure 4. Talent Management component of Management scores and estimates.

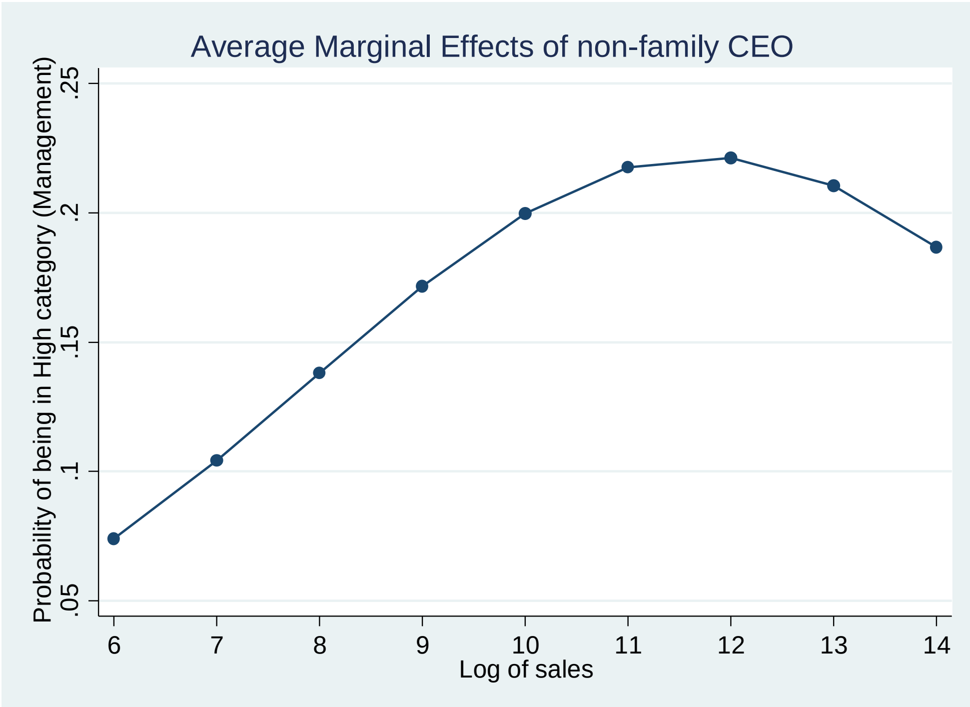


Figure 5. Non-linear effect of non-family CEO on the probability of a firm being in High type versus low type (aggregate Management)

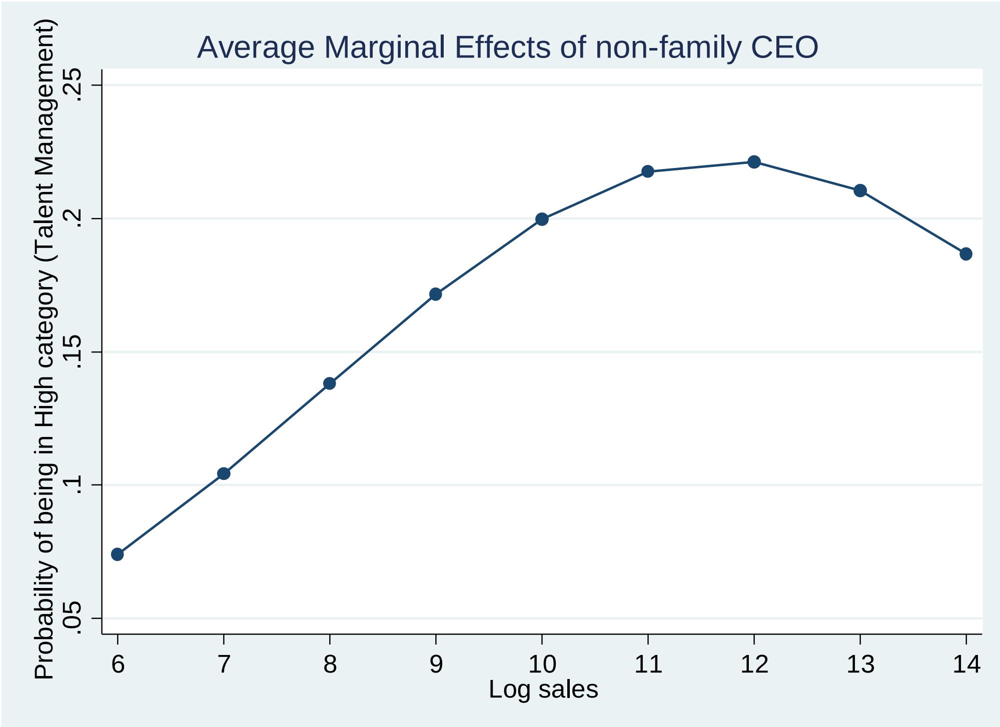


Figure 6. Non-linear effect of non-family CEO on the probability of a firm being in High type versus low type *(Talent Management)*

RIYADH, KINGDOM OF SAUDI ARABIA
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