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Institutional Influences on Corporate Governance: Evidence from Saudi Arabia

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Abstract

The objective of this study is to examine the adoption of a relatively new corporate governance code for Saudi-listed companies and its adaptation in an institutional setting where family and government ownership prevail. The analysis focuses on the governance mechanisms adopted by companies and the influences on such practices, identifying the reasons behind resistance to adoption of the key proposals. The data was obtained through a questionnaire survey distributed to board members of Saudi listed companies in October 2011 and which generated a total of 82 respondents. The results obtained by applying statistical tools such as Factor analysis and nonparametric tests indicate that coercive pressures have resulted in the diffusion of some governance practices, but normative isomorphic tendencies arising from sociocultural factors have prevented the former from being adopted on a de-facto basis, leading companies to decouple material practice from (merely) ceremonial activities. The prevailing institutional logics within government and family-owned companies lead to heterogeneity among listed companies regarding their governance structures and practices. The findings suggest that regional policy makers should consider the network of actors that determine practice if meaningful improvements are to become manifest.

Keywords: corporate governance; institutional isomorphism; Saudi Arabia; emerging markets, factor analysis. Family ownership.
Article Classification: Research paper.

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1. INTRODUCTION

The series of large scale corporate collapses witnessed across the globe over the last two have been widely attributed to failures in governance, as has much of the financial crisis of 2008, leading to a renaissance in debate around such issues, particularly the role of the board of directors (Adams et al., 2010; Wanyama et al., 2013). Specifically, 'good' corporate governance has been suggested as leading directly to greater efficiency as a result of stronger relationships with stakeholders as transparency and accountability rises (World Bank, 2009; Chanda et al., 2017). The renewed worldwide interest in corporate governance has led a number of world organisations, including the OECD, IMF and World Bank to provide guidelines on corporate governance principles (OECD, 2004) that supplement the many national governance codes and guidelines that have also emerged (Davis and Thompson, 1994; Shleifer and Vishny, 1997; Dahya et al., 2002).

The global convergence of corporate governance codes and practices has led to neglect regarding the need for national and regional contexts to be considered (Tong et al., 2018). Institutional environments vary significantly both across developing countries in particular, including those in Islamic nations (Judge, 2009; Hale and Held, 2018). Researchers have recently started to recognise that corporate governance is influenced by the embedded institutional environments within a country's context, and that such institutional influences differ because of differing national and global institutional pressures (Turnbull 1997; Aoki, 2001; Aguilera and Jackson, 2010; Adams et al., 2010; Josiah et al., 2010; Wanyama et al., 2009; 2013; Chanda et al., 2017). Thus, the institutional setting may be recognised, but the question of how this influences specific governance systems and practices remains an underdeveloped research area (Filatotchev and Boyd, 2009; Aguilera and Jackson, 2010). In this context, the present analysis reports the results of an in-depth, questionnaire-based investigation of Saudi Arabian company directors' perceptions relating to board structure and function in particular the influence of institutional factors such as culture, family and government, forces that dominate many areas of life in the Kingdom of Saudi Arabia (KSA). The organisational field of Saudi-listed companies has been targeted for the current study as the nation is regarded as hugely influential within the Middle East and around the world, being one of the largest oil producers with vast influence on the global pricing of oil and oil products (Niblock, 2013).

In addition, the Saudi stock market is the largest in the MENA (Middle East and North Africa) region and so promoting better governance should help develop an important financial centre (World Bank, 2009). However, an assessment of governance practices carried out by the World Bank in 2008 concluded that the governance practices of Saudi listed companies were weak - the introduction of the Saudi corporate governance code in 2006 was in large part designed to increase investors' confidence after the market crashed in February of that year (Falgi, 2009). By focusing on Saudi Arabia, an Arab and Middle Eastern country, where the culture is very different from Western nations, the study is intended to contribute to our understanding of corporate governance in a rarely-examined - but internationally important - context.

Most of the focus of corporate governance literature has been on developed countries, although more attention has been placed on developing countries in recent years (e.g. Brennan and Solomon, 2008; Wanyama et al. 2009; Solomon, 2013; Chanda et al., 2017; Hale and Held, 2018). A review of the literature raises the issue of the scarcity of research on corporate governance in developing countries, including in the Gulf area, despite calls for more work in these sites (Al-Harkan, 2005; Al-Hussain, 2009; Falgi, 2009). Work on corporate governance has been predominantly influenced by the analysis of Berle and Means (1932) which emphasises the conflicts of interest arising from the separation of ownership and control. This approach has led to various governance mechanisms (i.e. boards of directors, executive compensation, board committees etc.) being introduced in order to ensure that corporate managers pursue shareholder's best interests. This pattern reflects a tradition of financial market research that builds on the agency theory approach of Jensen & Meckling (1976), although its applicability to provide understanding of corporate governance processes in non-Anglo Saxon contexts has been called into question (Aguilera and Jackson, 2003; Lubatkin et al., 2005; Heracleous and Lan, 2012; Chanda et al., 2017; Hale and Held, 2018). The present study's objective in examining corporate governance in a leading emerging economy such as Saudi Arabia is thus novel but, again, important, give concern around the spread of Western models and rules to contexts that are very different in terms of culture and political economy (Robertson et al., 2001; Mellahi et al., 2011). The remainder of the paper is structure as follows: Section 2 provides an overview of the most relevant literature in the field before Section 3 outlines the theoretical framework adopted. The data collection process and research methods adopted are discussed in Section 4, with the results presented in Section 5. Section 6 concludes the paper with a review of the main findings, suggestions for further work in the area and acknowledgement of the study's weaknesses.

2. LITERATURE REVIEW

2.1 Corporate Governance in Emerging Markets

Research on corporate governance in developing countries has largely focussed on the extent and impact of regulatory changes in the years following the drafting of dedicated codes in the West (Wanyama et al., 2013; Tong et al., 2018). Corporate governance codes have been widely adopted in both developed and developing countries (Aoki, 2001; Wright et al., 2005; Enrione et al, 2006; Aguilera and Cuervo-Cazurra, 2009; Triker, 2009). Many developing countries have established codes of corporate governance for economic development as means to attract and retain investments from other countries, or to compensate for weak levels of investor protection, reducing the probability of financial scandals and increase legitimacy (Aguilera and Cuervo-Cazurra, 2004; 2009; Chanda et al., 2017; Hale and Held, 2018). However, corporate governance codes remain at an early stage in developing countries as the level of transparency in some of the latter, notably in South-East Asia and Africa, is relatively low (Claessens et al. 2000; Claessens and Fan, 2002; Chanda et al., 2017).

Much of the impetus for corporate governance reform across the developing world is attributed to the Asian financial crisis in 1997 and the focus on 'good' corporate governance as a necessity for retaining and attracting foreign investment (Solomon et al., 2003). The Asian financial crisis contributed to the liberalization of markets, but with weak economic and legal institutions and corporate governance systems (Millar et al., 2005; Bae et al., 2012) remaining common. This raised many questions regarding the adequacy of the corporate governance frameworks in Asia resulting, eventually, in governance reform in the region. Other developing countries have issued corporate governance codes or are in the stage of issuing these because of internally driven reforms (Josiah et al. 2010; Chanda et al., 2017), in response to international demands and in order to attract foreign investment (Aguilera, 2005; Mallin, 2007; Solomon, 2013; Young et al. 2008). Japan issued its first code in 1997, India and Korea in 1999, Malaysia in 2000 and Indonesia in 2001 (Maassen et al., 2004). However, the functioning of the corporate governance mechanisms in developing countries may be less effective than in developed countries (Young et al. 2008). In the development stage, legal framework and ownership structure have an effect on the corporate governance system that the country adopts (La Porta et al. 1999; Claessens et al. 2000).

Evidence suggests that many countries in the MENA (Middle East and North Africa) region have yet to exhibit significant levels of interest in corporate governance (McGee, 2009) with only two countries in the region having issued corporate governance codes prior to 2006, Oman in 2002 and Egypt in 2005 (Koldertsova, 2010). After market crashes in 2006 many countries in the region issued corporate governance code on a ‘comply or explain’ basis, as per the UK (OECD, 2012). Issuing corporate governance codes was a seen as a first step in governance reform in the region; governance codes had been issued specifically for the banking sectors, state-owned enterprises and family-owned firms (Koldertsova, 2010; OECD, 2012; SAMA, 2012). Countries in the region have also embarked on developing corporate governance institutions such as the institute of directors in Egypt and Hawkamah institute in United Arab Emirates (Soural, 2004; OECD, 2012). El-Mahdi (2007) examines corporate governance in Tunis, finding that two factors influence Tunisian corporate governance: company law and the listing requirements with which all listed firms must comply. This study reported that ownership concentration is high in Tunisian firms, where families and the state own nearly 25% and 23% of the listed firms respectively. El-Mahdi concludes that companies' adoption of corporate governance in Tunisia is weak, attributing this weakness to the association found between concentrated ownership and performance, and the limited role of law and regulations. Filatotchev et al. (2012) highlight the need to understand how institutions vary in different countries and their influence on the corporate governance framework within these countries. This study highlights the importance of understanding the factors that influence board effectiveness within different institutional contexts, arguing that the effectiveness of governance practices does not emerge from adopting similar practices to other countries but is a result of institutional factors that can improve (or damage) the internal governance practices of organisations.

Previous calls within the governance literature encourages research that addresses the issue of environmental norms and institutional influences on corporate practices (Filatotchev and Boyd, 2009; Aguilera and Jackson, 2010). From this perspective, the main objective of this research is to examine the institutional factors that influence the corporate governance practices of KSA-listed companies. More recent work in the area includes a study by Saidat et al. (2019) who compare the impact of corporate governance mechanisms and financial performance amongst a sample of 228 family and non-family Jordanian firms between 2009 and 2015. The results indicate that while board size has no systematic impact on performance in non-family firms, the number of independent directors does positively influence both Tobin's Q and the return on assets for such organisations. For family firms, CEO duality is important, as is ownership concentration, where a significantly negative impact on performance is evidenced. Al-Sartawi and Sanad (2019)'s investigation of the relationship between institutional ownership and corporate governance structures in Bahrain adopts a multi-regression model to analyse data for 39 firms across four years (2013-2016). After controlling for a wide range of possible exogenous influences, the authors report a significant negative relationship between institutional ownership and the quality of corporate governance in their sample. Whilst both these studies reflect the attention now being paid to such matters in the

Middle East, they are typical of most of the work of this nature in employing quantitative analysis and interpretation of firm level data. In contrast, the present study investigates individual perspectives on the ground, an approach that has been used to significant effect in emerging country contexts in other regions (e.g. Wanyama et al., 2009 and 2013; Chanda et al., 2017), but rarely in MENA settings.

2.2 Corporate Governance in Saudi Arabia

Ownership structure and the corporate governance code

The corporate governance model in Saudi Arabia can be classified as an 'insider model' with many of the companies in the stock market owned by families and government shareholders (Solomon, 2013). As of 2013, more than 50 companies in the stock market (33%) are primarily controlled by family shareholders, in line with the 'family and founder' ideology playing a major role in the corporate sector in Saudi Arabia (Robertson et al., 2013). In addition, the government has explicit control over 12 companies in the stock market, with previous studies arguing that 75 percent of the companies in the stock market are family-controlled while the remaining 25 percent are in the control of the government (Toonsi, 2003). The present, more recent, study suggests a different pattern, reflecting new companies listing on the Saudi Stock Market over the ten years since Toonsi's analysis, with different types of ownership structure - often foreign and/or dispersed - becoming more common. Fifteen percent of companies in the stock market are controlled by both family and government, representing the second highest amount of control of the stock market.

Before 2006 there was no unified corporate governance regulation in KSA (Sharif, 2006), resulting in very limited disclosure and transparency. The corporate governance code in Saudi Arabia was introduced at the end of 2006 by the Capital Market Authority (CMA), marking the first attempt by an official body to formalise corporate governance practices in Saudi Arabia.[i] The CMA argues that the code was introduced in an attempt to reduce the extent of rumours and fraudulent practices, particularly insider trading (CMA, 2011).

The Saudi corporate governance code has three main sections. The first relates to the rights of shareholders and the Annual General Meeting (AGM) while the second covers issues of disclosure and transparency. The final section discusses the role and responsibilities of the board of directors as well as board composition. The code mostly adopts a 'comply or explain' approach, but the CMA board has mandated some sections of the code such as Article 9 which points to: (i) disclosure in the board's report on other directorships of the board members; (ii) composition of the board, identifying executive and non-executive board members; (iii) details on compensation of board members; (iv) disclosing the compensation of the five highest executives, including the CEO and CFO; and (v) noting in the director's report the sections of the code that the company has complied with - and justifying cases of non-compliance (comply or explain). In December 2012, the CMA board further mandated that all listed companies should develop an internal corporate governance code that is consistent with the Saudi corporate governance code, and also develop explicit policies and procedures for board membership (CMA, 2012).

Prior Empirical studies

Few studies have been carried out on corporate governance in the Saudi Arabia. Early work by Al-Twajiry et al. (2002; 2003) points to major institutional failures that limit the effectiveness of audit committees and internal audit. More generally, Al-Harkan (2005) found that in the years preceding the development of a formal code in the KSA, large complains (especially banks) voluntarily adopted some practices that are often included in regulatory guidelines such as separating the role of the CEO and the Chairman and having at least three non-executive directors (NEDs) who are independent of the management on the board. Al-Harkan's results also showed that the two most important factors in nominating NEDs were relevant business skills and professional qualifications, concluding that the introduction of a corporate governance code would enhance the disclosure and transparency of companies with regard to corporate governance issues.[i] [i]

Al-Ajlan (2005) investigated the roles and responsibilities of the board of directors in the banking sector. In 2005, only 10 banks operated in Saudi Arabia, one of which was government-owned. The author conducted interviews with directors and board members in order to understand the strategic and monitoring role that boards play in the banking sector. The researcher found that boards in the banking sector have a significant role to play in setting the strategic aims of the company but that large shareholders influenced the setting of the strategies. The author concludes that there are differences among board members in terms of how they view the strategic role of the board, although the general perception is that boards are involved in strategy formulation with the help of the top management team, even though different banks had different ownership structures. Hence ownership structure is an important feature with Saudi firms.

Falgi (2009) provides the first examination of corporate governance after the introduction of the corporate governance code in Saudi Arabia in 2006, looking at the perceptions of different stakeholder groups and their evaluation of corporate governance practices by using semi-structured interviews and questionnaires. The author reports a lack of awareness about corporate governance within Saudi society even at board level, and such a finding is worrying when attempts are being made to implement a governance code when board members know nothing about it. The study also reports that stakeholders view corporate governance from a very narrow agency perspective, and that such a perspective reduces the amount of accountability exercised by companies towards society and other stakeholders; he posits that the only recognised accountability relationship that exists is that between management and the board of directors. Falgi also indicates that there is no real independence within the team of directors because of the weak requirements in ths area and cultural influences within the nomination process. The analysis also indicates several problems with the governance framework including: weak regulation and monitoring; lack of experienced members; inadequate time that members contribute; poor compliance by companies to the corporate governance requirements; and the lack of independence. Although the CMA (Capital Market Authority) issued the code in 2006 on a ‘comply or explain’ basis, the author suggested that the code should be mandatory.

Al-Moataz and Al-Hussainey (2012) investigate the relationship between company characteristics and the level of corporate governance disclosure by Saudi listed companies during the period 2006 and 2007. The authors conclude that there is a negative association between board independence and corporate governance disclosure levels, while also finding a significant positive association between audit committee size, liquidity and gearing with the level of corporate governance disclosure. They also find an association between firm size and corporate governance disclosure, although this relationship was not statistically significant.

As with the Middle East more generally, research on corporate governance in Saudi Arabia is continuing to develop. For example, Gerged and Agwili (2020) explore the impact of corporate governance on firm values for 300 sets of annual reports from Tadawul-listed firms between 2012 and 2016. The results indicate that stronger governance systems lead to higher market values but, other things being equal, no increase in accounting value. The authors argue that further measures such as adding good practice exemplars to the listing rules might play an important role in driving further developments. As with the more general recent literature in the MENA area, contemporary studies of corporate governance in Saudi Arabia are almost exclusively based on aggregate quantitative studies such as this. We attempt to develop the scope of this body of work by focussing on the viewpoints of individuals close to the issues involved.

3. THEORETICAL FRAMEWORK

DiMaggio and Powell (1983) argue that organisations within the same environment will tend to become more homogeneous over time and that this homogenisation is explained, by institutional theory, through two types of isomorphism: ‘competitive’ and ‘institutional’. Competitive isomorphism relates to situations where market competition drives organisations to adopt cost effective structures and practices. For example, organisations would all tend to adopt the ‘best’ and cheapest product. In contrast, institutional isomorphism reflects political power relations and a desire for organisational legitimacy (DiMaggio and Powell, 1983). It is precisely these sort of institutional forces that have regularly been attributed to modern-day KSA (Al-Twajiri et al. 2003) and thus this branch of the isomorphism framework is used to underpin the present analysis.

In ‘New Institutional’ logic, isomorphic pressures are seen as leading to similarities in organisational practices within a common environment (DiMaggio and Powell, 1983) and these in turn drive the formation of a community of practice (Marquis et al., 2007). This development in conceptualisation has led to broadening of views within institutional theory (Lounsbury, 2008) such that two identifiable strands have emerged, one that emphasises institutional logic (Friedland and Alford, 1991; Thornton and Ocasio, 1999; 2008; Spicer and Sewell, 2010) and a second that focusses on the roots of institutional work (Lawrence and Suddaby, 2006). Common to both paradigms is recognition of multiple institutional constraints within society that impact organisational fields, each with a defined set of practices and symbolic constructions that represent relations between different groups (Friedland and Alford, 1991; Seo and Creed, 2002; Suddaby and Greenwood, 2005; Greenwood et al., 2011). Rules, beliefs and norms defining acceptable practices become *symbolic* carriers with *material* carriers comprising artificial laws and routines which generate actors’ institutional logics (Friedland and Alford, 1991; Thornton & Ocasio, 1999; 2008). Institutions may thus face a variety of isomorphic pressures from different institutional logics which determine how they respond to institutional pressures (Friedland and Alford, 1991; Oliver, 1991; Greenwood et al., 2011). As a result, different communities of practices can develop (Helms et al., 2012; Lepoutre and Valente, 2012) albeit with some overlap (Hyvonen et al., 2012). Governments issue laws and regulations to guide human activities, and such “social systems” have different material and symbolic carriers that produce and reproduce their institutional logics (Helms et al., 2012). Of particular relevance to the present study, when non-Western countries adopt Western technologies and regulations they may face cultural problems as symbolic carriers (Friedland and Alford, 1991). Thus, an important part of the institutional logics affecting an organisational field are those arising from the societal level (Greenwood et al., 2011). This is the context of the present study, where a highly institutionalised society attempts to develop governance codes for its corporate sector that draw heavily on those established in very different cultural and political environments.

4. DATA AND RESEARCH METHODS

The objective of this research is to investigate and provide a general understanding of the factors that influence board effectiveness within different the KSA's institutional context. An institutional theory perspective is used to investigate this phenomenon and to examine in particular whether isomorphic pressures exist in shaping board processes, practices and structures. The ontological position of this research is nominalist, as reality is treated as being constructed through the perceptions of those directly involved in KSA boards, with a questionnaire survey used to investigate Saudi Arabian company directors' perceptions relating to board structure and function. The first section of the questionnaire asked for demographic information regarding the role of the respondents on boards and other background information such as the number of years of experience as a board member and other full time roles they might have. The second section aimed to attain respondents' opinions regarding the factors that influence the practices of boards of directors in KSA. The final section was designed to elicit the respondents' views about the factors that influence the roles and responsibilities of boards and board committees. This part was designed to indicate clearly the determinants of board processes and behaviour in KSA in practice. The selection of potential influences to include in the various parts of the questionnaire was based in each case on both close inspection of the recent literature and a series of preliminary discussions with more than 20 board members of Saudi firms regarding extant board processes and practice.[i] The questionnaire was [i] designed in English before being translated into Arabic, the primary language in Saudi Arabia. In order to ensure that a meaningful impression emerged of the factors that influence board effectiveness in Saudi listed companies in practice, the research population targeted board members and CEOs of Saudi listed companies. The process of distributing the questionnaire started in October 2011. A total of 880 questionnaires were distributed by post to board members of all 158 Tadawul-listed firms.

The information regarding the names of board members was accessed via the Tadawul website on the 5th of October 2011 in order to ensure that those with multiple directorships were not sent more than one questionnaire. The initial number of directors identified was 1052 but this number was reduced to 880 when the issue of multiple directorships was dealt with. A total of 82 responses were received, representing a rate of 9.3%. The detailed breakdown, provided in Table 1, reveals that the highest response rate was generated by board secretaries (“BS”) (37.8%) while the lowest occurred for chairmen (“CH”) and chief executive officers (“CEOs”) at 3% and 9% respectively. A similar response rate was generated by non-executive directors (“NEDs”) and independent non-executive directors (“INEDs”) of around 21% and 26% respectively.[i] v

After coding the responses from the questionnaire data, the data were transferred to the SPSS statistical package. The analysis involved direct comparison of the responses across each group and across pairs of groups using non-parametric analysis to reflect the non-normality common in survey response data and confirmed here.[v] Kruskal Wallis and Mann-Whitney tests were used to measure the significance of differences in sub-sample respondents. Factor analysis was also used in order to establish the extent of any commonality amongst respondents in related areas, indicating those most relevant from the pool under consideration (Dunteman, 1989).

Table 1 Background Information about the Respondents

	Categories	Number	%
Board Role	Chairmen	3	3.7%
	Chief executive officer (CEO)	9	11.0%
	Non- Executive director (NED)	19	23.2%
	Independent Non- Executive director INED	20	24.4%
	Board secretary (BS)	31	37.8%
	Total	**82**	**100%**
Serving on board committees	Audit	23	37%
	Remuneration and nomination	26	41%
	Executive	13	21%
	Total	62	100%
Ownership type	Dispersed	19	23.2%
	Government	24	29.3%
	Family	26	31.7%
	Foreign	9	11.0%
	other	4	4.9%
	Total	**82**	**100%**
Years' experience as a board member	Less than 5 years	6	7.3%
	From 6 to 10 years	8	9.8%
	From 11 to 15 year	36	43.9%
	More than 15 years	32	39.0%
	Total	**82**	**100%**
Sectors			
	Financial	16	23.2
	Cement and Petrochemical Ce9ment	15	15
	Communication and tourism	9	10
	Agriculture and food	8	9
	Multi investments	14	17.2
	Building and real estate	12	14
	Other	8	8
	Total	**82**	**100%**

Note: This table details the respondent demographics regarding board role, years of experience, ownership category and board committee membership. The table also indicates the percentage of respondents in relation to the total of each sector.

Table 1 summarises demographic information relating to the participants. Most respondents were from the financial sector and multi-investment sector representing 23.2% and 17.2% of the respondents respectively. The respondents were also asked to disclose the ownership category that applied to their companies; the highest figure generated was 32% for family ownership followed by 29% for Government, confirming the impression elsewhere in the literature (e.g. Kribat et al., 2013) of relatively closely-held control of MENA nation firms. The separation of responses into the five categories of board member noted above reflects the difference in proximity to management across managerial groups (Seyhun, 1986; Solomon, 2013).

5. RESULTS

The results of the questionnaire are presented in this section as follows: Selection of board members, selection of committee members, and directorship members.

5.1 Selection of Board Members

Selection of Chairmen

The respondents were first asked about influences on the selection of chairmen. Results indicate that the respondents regarded “personal relationships” as the most important, with a mean of 1.70, followed by “courtesy to others” (1.82) and “position in society” (1.93) (see Table 2). This evidence is consistent with the notion that Arabian social and cultural networks are important factors in the choice of board chairmen in the KSA, in line with previous literature contending that Arab tribal and social values continue to impact upon organisational structures (Falgi, 2009). However, family and government ownership did not seem to influence the selection of the chairmen, with means close to the mid-point of 3, an unexpected result given the pervasive influence of these factors in Saudi Arabian life (Menoret, 2005; House, 2012).

The Kruskal-Wallis results indicate that opinions differed across the groups of respondents in six cases. As regards pairwise variation, the Mann-Whitney test indicates that Chairmen and NEDs disagreed significantly on five matters, including personal relationships and courtesy to others. In contrast, CEOs' and INEDs' opinions did not differ significantly at all, despite their – theoretically - different roles on Saudi boards. All the groups agreed (i.e. means <3) that experience and qualifications are important influences on the selection of the chairmen, with the exception of INEDs (mean = 3.70, significantly higher than NED and BS figures). This evidence suggests that the INEDs view the determinants of chairmanships in KSA as being primarily non-meritorious (and based instead on factors such as position in society, which the INEDs saw as being more important than did any other group). Whilst this is potentially concerning, at the same time it indicates that these individuals might bring a useful degree of cynicism to their role as autonomous outsiders (Solomon, 2013).[v] [i]

Table 2 Factors Influencing the Selection of Chairmen

Factors	R	M	SD	Group Means					K-W	M-W									
										Chairmen &				CEO &			NED &		INED& BS
				CH	CEO	NED	INED	BS		**CEO**	**NED**	**INED**	**BS**	**NED**	**INED**	**BS**	**INED**	**BS**	
Corporate	12	4.07	1.08	4.00	4.56	3.63	4.60	3.87	0.04*	0.11	0.88	0.06	0.77	0.10	0.83	0.10	0.02*	0.61	0.02*
Gov &	5	2.55	1.32	3.67	3.33	1.63	3.05	2.45	0.00**	0.74	0.00**	0.45	0.16	0.00**	0.60	0.08	0.00**	0.09	0.10
Members of	10	3.95	0.97	2.67	3.11	4.28	4.10	4.03	0.01**	0.43	0.01**	0.02*	0.02*	0.01**	0.02	0.01**	0.56	0.38	0.81
Islamic	12	4.07	0.91	3.33	4.00	3.89	4.10	4.26	0.27	0.01**	0.23	0.15	0.04*	0.63	0.64	0.09	0.88	0.44	0.45
Personal	1	1.70	0.70	2.67	1.89	1.53	1.80	1.58	0.03*	0.08	0.01**	0.04*	0.01**	0.13	0.70	0.10	0.17	0.86	0.11
Courtesy to	2	1.82	0.89	3.33	1.89	1.47	1.75	1.90	0.06	0.05	0.01**	0.02*	0.05*	0.09	0.55	0.54	0.16	0.15	0.97
Position in	3	1.93	0.94	2.00	1.89	1.89	1.80	2.03	0.89	0.72	0.44	0.51	0.69	0.53	0.70	0.94	0.65	0.44	0.72
Family	8	3.02	1.44	2.67	3.11	2.89	3.05	3.10	0.96	0.60	0.96	0.58	0.68	0.94	0.88	0.74	0.74	0.46	0.84
Government	7	3.00	1.35	3.33	3.33	2.68	3.11	3.00	0.75	1.00	0.49	0.75	0.75	0.28	0.61	0.61	0.28	0.39	0.80
Top	13	4.12	0.77	4.00	4.22	4.05	4.11	4.16	0.96	0.39	0.88	0.46	0.63	0.61	1.00	0.99	0.59	0.62	0.95
Company	11	4.05	0.90	2.67	4.22	4.21	4.30	3.87	0.09	0.03*	0.04*	0.03	0.07	0.65	0.60	0.29	0.98	0.17	0.09
Company	9	3.82	1.20	2.00	4.22	4.00	4.00	3.65	0.23	0.03*	0.06	0.06	0.08	0.83	0.51	0.38	0.57	0.27	0.53
Experience and	4	2.36	1.31	2.67	2.89	1.56	3.70	1.77	0.00**	0.84	0.06	0.17	0.11	0.01**	0.09	0.03*	0.00**	0.38	0.00**
Nominee being on	6	2.77	1.42	3.33	4.33	2.11	3.55	2.13	0.00**	0.03*	0.06	0.33	0.05	0.00**	0.24	0.00**	0.00**	0.92	0.00**

Note: This table shows the means and group means for the respondents. R= factors ranks in the order of importance. The results of the Kruskal Wallis test (K-W) shows significant differences groups' responses. Mann-Whitney p values indicate the difference between the responses of total groups, the final row and column show the number of significant differences. Responses are based point Likert scale where 1 = strongly agree, 2= agree. 3= neutral, 4= disagree, 5= strongly disagree. A */** indicates significance at the 5% and 1% level respectively.
(CH: Chairmen, CEO:Chife ececutive offices, NED non executive director INED : independent non executive director, BS; Board secretary)

When analysing the results by type of ownership, respondents from family- and government- controlled boards agreed that government and regulatory bodies influenced the chairmen's selection, while respondents from companies that had dispersed ownership disagreed. This finding suggests that where the Saudi government does not hold significant interests (i.e. in dispersed-ownership companies) they do not influence the selection of its chairman in any direct way. The respondents also had different opinions regarding the influence of ownership. Respondents from family-and government-owned companies agreed that family ownership is an important factor (means 1.62 and 2.56 respectively) while respondents from both dispersed-and foreign -owned companies were broadly neutral. Thus, the type of ownership is regarded as an important factor in the selection of chairmen in the KSA.

The related factor analysis, reported in Appendix 1, suggests that six factors influence the selection of the chairmen. The first column in the table shows that the factor with the highest eigenvalues had high loadings for experience and qualifications and presence on other company boards; this factor is therefore labelled "personal traits." The second factor is labelled as "cultural influences" as variables such as personal relationships, courtesy to others and position in society has high loadings.

Although cultural influences and personal traits have very similar eigenvalues, the cultural factors were second in terms of degree of importance in the factor analysis. The third column in the table is labelled "family ownership", representing 11% of the total variance. Respondents from family-controlled firms agreed that family ownership influenced the selection of the chairman, with a mean of 1.62, while responses from all the other groups had a mean close to the midpoint of 3. Thus, within family firms, family owners appear to strongly influence the selection of the chairmen. The result is consistent with DeMott (2008) who found strong influence of the controlling family on the selection process of the chairman.

Inspection of the fourth column reveals that Islamic principles and membership of the royal family have high loadings, a finding relevant to the Saudi context where the Arab culture gives high regard to people with important social status such as those from the royal family and with senior government roles (Falgi, 2009); this column is therefore labelled as “political influence”. The previous literature has also shown the influence of social and cultural values and Sharia norms in Arab culture (Ezzine, 2018; Falgi, 2009). The results in Table 2 and Appendix 1 together suggest that a community of practice exists when selecting the chairmen of a company, one which reflects the Saudi social and cultural influences that form the basis for this logic. The data suggests that associates and friends nominate chairmen on the basis of the position that an individual holds within society - while not undermining the influence of controlling shareholders in the nomination process. Thus, normative isomorphic tendencies are at work in influencing companies to adopt similar institutionalising practices.

Selection of NEDs and Independent NEDs

Respondents were asked to express their views regarding the factors that influence the selection of NEDs and INEDs. Tables 3 and 4 show that personal relationships (means of 1.77 and 1.70 respectively) courtesy to others, position in society and experience and qualifications of nominees were the most important factors. These results indicate that although individual levels of proficiency are considered when selecting board members, the influence of social and cultural factors are more important in the selection process for both NEDs and INEDs. This evidence is similar to the results relating to chairmen selection revealed in Table 2 and are consistent with previous literature which evidences personal relationships as an influential factor in the selection process within Arab countries (Zagoub, 2011; Falgi, 2009).

The results indicate neutral views concerning family and government ownership influence on the selection of NEDs (means of 2.99 and 2.98 respectively) and INEDs (means of 3.01 and 2.94 respectively) despite most Saudi listed companies being family and/or government owned. This result might reflect respondents firms having differing types of shareholding patterns, in particular the extent of overseas based investors, and block versus dispersed ownership. Tables 3 and 4 also illustrate that government and regulatory bodies influence the selection process of NEDs and INED (means of 2.30 and 2.33 respectively. This evidence is consistent with previous literature that assigns importance to regulatory influences on corporate governance practices in several emerging countries (Black et al., 2006; Klapper et al., 2005).

Comparison of the results from individual respondent groups indicates some differences in their opinions. NEDs, INEDs and BS all strongly indicated that personal relationships and courtesy to others were the main influences on the selection of NEDs and INEDs; in this context, CEOs thought that experience and qualification and having other directorships were most important. The groups' responses also differed regarding the influence of the KSA corporate governance code on the selection of NEDs - chairmen agreed that the code influenced the selection process while all others disagreed. INEDs had mixed views regarding the influence of the code on their own selection as reflected in the mean response of 3.25.[v] More generally, the evidence in Tables 3 and 4 together suggests that few board members in KSA differentiate between NEDs and INEDs; this is most clearly evident from inspection of the ranking orders across the tables. This evidence may reflect the relative novelty of concept of independence in the KSA (Al-Twajiri et al., 2003).

Factor analysis was then applied to the responses to the fourteen questions to identify the main influences on the selection of NEDs and INEDs. The first column in Appendix 2 shows that the corporate governance code, and government and regulatory bodies have the highest loadings for NEDs, indicating the importance of the regulatory environment in influencing board selection in the Kingdom; the column is therefore labelled "Regulation." This finding is consistent with the requirements of the Saudi corporate governance code which mandates that boards should be composed of a majority of NEDs. The second column shows a high loading for membership of the royal family and position in society, suggesting that these factors are important in influencing the selection of NEDs. This column is therefore labelled "Social Status." Interestingly, this column includes a high negative loading for "experience and qualification;" taken together, these results suggest that within the Saudi context the importance of social status in the NED appointment process exceeds the role of experience and qualifications.

The third column indicates a high loading for experience and qualifications, but a high (negative) loading for government ownership. This evidence might indicate that within government-controlled companies there is a different community of practice when selecting NEDs, with government employees nominated even though they are unqualified to serve as board members based on (potentially more relevant) personal strengths and experience. This column is therefore labelled as 'Personal traits vs. government influence.'[v] The fourth column in Appendix 2 includes a high positive loading for 'Islamic principles' and 'company sector' as well as a negative loading for 'personal relationships'. The latter evidence suggests a complex interaction among factors, with Sharia committees tending to be more important in sectors which deal directly with Islamic products, e.g. the financial sector, where personal relationships might be less likely to influence organisational structures (AAOIFI, 2004). Given this potential explanation of the evidence, the column is labelled as 'Company sector'. The fifth and sixth columns reflect the pervasive straight-forward influence of "Islamic Principles" and Family Ownership" respectively and are therefore named accordingly, although it is worth noting that in the latter case the Eigenvalue is 1.072, barely above the conventional factor analysis cut-off for significance in terms of the Kaiser criterion.

The remainder of Appendix 2 shows reveals that six factors are important for INED selection. The results differ somewhat from those relating to NEDs; in particular the first column does not include the corporate governance code, reflecting the novelty of INED requirements[i] in the latest[x] draft of the code. However there are high loadings for several other influences including government and regulatory bodies (as was the case for NEDs); courtesy to others; position in society; personal relationships; experience and qualification; plus current position. Even though regulation requires Saudi to have INEDs, it is clear that the impact of rules on such appointments is less straight-forward than was the case for the NEDs, with a range of network and experiential influences intertwining in the make-up of this factor. This column is therefore labelled as 'cultural and regulatory influence.' The second column exhibits a high loading for family and government ownership which indicates the extent of influence of these factors on the INED selection process.

The second column also suggests that the corporate governance code is important; the negative coefficient in this case suggests that although extant regulation now specify that KSA boards should have INEDs, in family- or government-controlled boards these are appointed primarily on the basis of these owners' influence, to the extent that tension with the rules is apparent. This column is therefore labelled as 'Ownership'. The influence of ownership type on independent director selection is perhaps not surprising in a developing nation where the independence concept is new, particularly given evidence elsewhere that a lack of independent voices is a defining trait of family firm boards (Anderson and Reeb, 2004). Nonetheless, this finding should be concerning for regulators in the KSA charged with ensuring that boards operate - and are seen to operate - with independent perspectives at the heart of decision-making power structures. Interestingly - and similar to the situation for NEDs - the third column for INEDs also shows a high loading for the experience, qualifications and government ownership factors. Therefore, whilst in some cases the criteria driving NED and INED selection are at variance, this is not always the case and some understanding of the subtlety in the different roles is evident, despite the relative novelty of the independence concept in the Kingdom.

The fourth column shows the factors Islamic principles and members of the royal family as important. As discussed previously, these factors are relevant within a nation such as the KSA which gives significant regard and respect to people with particular social status such as those from the royal family and others with highly influential roles in Saudi society, whether in government or otherwise. Thus, the notion of an INED as an ‘outside’ (positive) influence is not easy to reconcile with the evidence, but the coercive isomorphic legitimising impact of royal and religious hegemony in emerging Arabic nations (see e.g. Kribat et al. 2013) is likely to be at work here. This factor is labelled as ‘social status.’ The fifth column in labelled as ‘company sector’ as it shows a high loading for this factor alone. Again, this pattern is likely to be explained by inter-sectoral variation in applying corporate governance practices; for example, the Saudi financial sector regulatory authority, SAMA, issued a corporate governance code (SAMA, 2012) specifically for the financial sector and these regulations may influence such firms to adopt specific (typically more robust) governance standards, including having more independent directors on the board and board committees. The tendency for (in this case normative) isomorphic tendencies to vary across sectors is consistent with prior interpretations and contextualisation of institutional theory see, e.g. (Scott and Meyer, 1991; Greenwood and Hinings, 1996).[x]

The results presented in this section of the paper suggest that the selection of NEDs and INEDs is influenced by the social and cultural norms present in the Saudi context, consistent with the view that organizations are influenced by informal embedded networks of actors (DiMaggio and Powell, 1983; 1991; Scott, 1995). It is also likely that such influences may vary across commercial sectors as it has been argued that due to the high regulatory role within some industries, such as the financial sector, certain cultural factors are less prominent (Falgi, 2009). Executives from companies within this sector may instead network together bringing their own community of practice. It is also worth noting that Appendix 2 points to several areas where influences are perceived to differ across the two types of non-executive, despite the pattern in overall means in Tables 3 and 4 being similar. Whilst the latter result might suggest an embryonic understanding of the nature of independence, the usefulness of factor analysis in allowing subtleties in the data to emerge - heterogeneity that does not reveal itself when conventional measures of location are used - is evident.

5.2 Selection of Board Committee Members

6 The factors influencing the appointment of board members to the audit, remuneration nomination and executive committees were also investigated. The respondents all indicated that their boards had established both: (i) audit and (ii) remuneration and nomination (R&N) committees, as required by the Saudi corporate governance code.[x] Only 70% of the respondents had (non-mandatory) executive committees in their companies. 27% and 30% of the respondents served on the audit and R&N committees respectively while 15% of the respondents served on the executive

committee. Only eight percent of the respondents had a Sharia committee, but none of the respondents served on it.[x] Table 5 summarises[i] opinions regarding board committee selection.

7 The data indicate that experience and qualifications were seen as the most important in influencing the selection of R&N and executive committee members (means of 1.59, and 1.16 respectively) and second most important for the audit committee (1.44), followed by the holding of positions on similar committees. The respondents were in agreement that the KSA corporate governance code influenced the selection of audit and R&N committee members (means of 2.11 and 2.23 respectively), although they did not appear to perceive the code as having any major influence on selection of the executive committee (mean 3.33). This pattern is not surprising in light of the fact that the code does not refer to the need for, or possible composition of, an executive committee.

8 Inspection of Table 6 reveals that the respondents had equivocal opinions regarding the influence of a number of factors on the selection of audit committee members, with 8 significant Kruskal-Wallis statistics. However, the code, experience, qualifications and similar prior experience all generated widespread strong agreement in terms of their impact. However, whilst CH and INEDs agreed that family ownership (means of 2.00 and 2.15 respectively) and government ownership (means of 2.67 and 2.55 respectively) influenced audit committee selection, the executives (groups CEOs and BSs) had less definitive opinions, possibly because executives want to demonstrate that the selection process of board members is objective and not overly influenced by intangible network connections. When comparing the results across ownership type in respondents' firms, respondents from both family and foreign controlled boards disagreed with the influence of government and regulatory bodies, whereas those from government controlled

boards and companies with dispersed ownership agreed. Top management was seen as having little influence on the selection of audit committee members, except by INEDs whose support was significantly stronger than that of all other groups of respondent. This difference suggests a marked difference in perception, with the independent perspective of outside directors influencing the manner in which leading insiders allocate senior board positions. More generally, BS and INEDs had the highest number of differences of opinions amongst sub-groups (as regards both audit and R&N committees). This result might reflect those in the BS group failing to take part in committee memberships, but these two groups are both outside the executive function of the board and the lack of coincidence in perceptions is notable.

Table 7 shows that, as with audit committees, a large number of factors generated significant Kruskal-Wallis test results, but most respondent groups indicated that the corporate governance code, government / regulatory bodies, experience / qualifications and similar prior experience and family ownership influenced the selection of board members onto the R&N committee. However, the results generated by the board secretaries (BS) - as was the case with audit committees - were often quite different. This outcome might reflect BS's lack of involvement in the nomination process but the difference in perception is interesting given the key role these individuals typically play in board activities and processes in most governance frameworks (Kramer et al., 2006). Inspection of the Mann-Whitney test results in Table 7 reveals a particularly high number (seven) of significant differences in viewpoints regarding the impact of personal relationships. Both CEOs and NEDs appear to think that personal relationships strongly influence the selection of board members to Saudi R&N committees. The CEOs expressed similarly strong views regarding audit committee membership, suggesting acknowledgement of the extent to which leading executives in the KSA see an important role for this factor when allocating members of key tasks. As regards the NEDs - who had not displayed such strong views regarding the audit committee - the evidence is consistent with the convention for NEDs in Saudi Arabia to represent large shareholders (Al-Twajiri et al. (2002; 2003) and the latter's desire to have influence on nomination procedures in particular.

Chairmen and board secretaries disagreed regarding the influence of personal relationships, possibly reflecting their lack of involvement with this committee. The respondent groups had markedly different views regarding top management influence on remuneration and nomination committee membership. In particular, CEOs strongly agreed (mean = 1.67) that management had an influence while the other groups disagreed to varying extents. The fact that this pattern was not evidenced in Table 6, in the case of audit committees, suggests that the CEOs see the role and importance of the two committees quite differently with their views regarding the two bodies also differing regarding the role of experience and qualifications (viewed as highly important for audit committees but not for remuneration and nomination committees). Thus, it appears that those at the very top of Saudi firms view suitability for roles regarding rewards and board membership as difficult to measure objectively.

The factor analysis results reported in Appendix 3 indicate that the most important influences on the selection of audit and remuneration and nomination committee members can be reduced to four and six factors respectively. The first factor for the audit committees is labelled as "social and cultural" as the column shows a high loading for favouritism, personal relationships, courtesy to others and position in society. This result, when considered alongside other evidence of this factor's influence, suggests that an underlying trend exists regarding the influence of socio-cultural forces on governance practice in the Kingdom and confirms that organizational structures are influenced by the prevailing institutional norms within society as predicted by DiMaggio and Powell (1991), Scott and Meyer (1991), Scott (1995) and others

The strong impact of industry specific factors is again evident here, via the second column, and the latter is therefore labelled ‘Sector’ in Appendix 3. This pervasion suggests an isomorphic influence for the sectoral characteristic in terms of governance practices. In particular, this pattern is consistent with SAMA having coerced financial institutions to establish audit committees composed of a majority of external members who are not part of the board, thereby ensuring the independence of this committee. Institutional theory argues that the pace of influence may vary across sectors because differences in structures allow for organisations to be heterogeneous (Greenwood and Hinings, 1996). As a result of such pressures, distinct communities of practice might emerge in the financial and non-financial sectors.

The third column for audit committees has the highest factor loading for “top management.” This finding is consistent with prior literature which argues that top management have personal agendas that lead them to influence board committee selection processes such that fewer independent directors serve on such committees, with reduced effectiveness more generally (Klein, 1998; Shivdasani and Yermack, 1999; Beasley and Salterio, 2001; Carcello et al., 2011); this factor is therefore labelled “personal traits”. The fourth factor is termed ‘regulation,’ consistent with prior literature that points to the importance of regulatory factors in governance practices in emerging economies (Black et al., 2006).

In the remuneration and nomination committee section of Appendix 3, the first and second column are identical to those of the audit committee section and are therefore are also labelled as ‘social and cultural’ and ‘sector’ respectively. The third factor indicates a high loading for 'family ownership' while it also shows a negative loading for the corporate governance code and experience and qualification, suggesting that in family-controlled companies family members choose the committee members despite the recommendations of the corporate governance code and the experience of the candidate; the lack of such a factor in the evidence for audit committees suggests that influence of this type is specific to the committees with most practical importance for directors, in terms of their presence and reward for board membership.

The final factor for the remuneration and nomination committee is termed 'regulation' which stresses the importance of the factors 'corporate governance code' and 'board member being on similar committees on other boards.' One possible interpretation of this evidence is that the code does not specify the qualifications needed for R&N committee members. Since the only experience that could be considered when selecting a board member for this committee is service on the equivalent bodies in other companies, employing such individuals would indicate the importance of experience and a resultant normative isomorphic influence on practice.

9 In the context of the previous results, it seems that similar factors influence the selection process for membership of both audit and R&N committees but varies across sectors, notably the heavily regulated financial sector. This appears to have led board committees in the financial sector to have more independent members, indicating a community of practice within this sector that is different from others regarding board committees. Having discussed the factors that influence the decision to make appointments to positions on the board and its various sub-committees, the analysis now turns to the factors that influence individuals to want to take up such positions in the first place.

5.3 Directorship Numbers

Respondents' perceptions on the factors that influence the number of directorships are detailed in Table 8. The results indicate that 'personal relationships' and 'position in society' are important factors and in line with previous literature which indicates the important role that culture plays in the Arab world with board membership highly regarded as it give individuals access to the networks that may enhance their personal relationships (Al-Ghathami, 2009; Falgi, 2009). The respondents also agreed that economic factors such as financial compensation and other benefits influenced both the desire of an individual to become a board member and the number of directorships. The results indicate that the corporate governance code influences the number of directorships, since the KSA code states a maximum of five directorships in listed companies.[x] Thus, a voluntary [i] provision of the code appears to have become institutionalised reflecting an identifiable community of practice.

The results of Kruskal-Wallis and Mann-Whitney tests reveal that groups had different perceptions regarding the factors that influenced the number of directorships an individual may hold. Most groups agreed that the corporate governance code influenced the number of directorships, although NEDs had more neutral views, possibly because of the restriction on the number of directorships is voluntary. The respondents seemed to have different views regarding the influence of courtesy to others on the number of directorships. NEDs and BS perceived that this factor had an influence (means of 1.58 and 1.87 respectively) while all other groups disagreed.[x] The groups had different [v] views regarding the influence of family and government ownership on the number of directorships. In particular, the CEOs' response (mean = 4.11) suggested widespread disagreement with this notion and the Mann-Whitney results suggest that it was the responses from this group that was driving the significant Kruskal-Wallis results in each case. Such evidence is consistent with the notion of the individuals with the most power perceiving a sufficiently strong degree of control over potentially coercive external forces such as family and government interventions, indicating in turn a need to (self) justify and legitimise CEOs decision-making power (Ijeoma and Ezejiofor, 2013).[x]

The factor analysis reported in Appendix 4 reveals five important factors influencing the number of directorships. The first column shows a high loading for the experience and qualifications factors, suggesting that individuals gain more directorships in order to develop their personal traits, consistent with previous evidence elsewhere (Burke, 2000). The second column reveals family ownership to be important as does the third column for government ownership. These results might be explained, as discussed previously, that board membership in the KSA is influenced by ownership. The fourth column shows a high loading for the corporate governance code, again consistent with the code restricting the number of directorships to five – overall, the regulations appear to influence the number of directorships individuals may hold despite their voluntary nature and notwithstanding the equivocation on the part of NEDs mentioned above. The final column/factor exhibits a high loading for sector. This result is consistent with previous studies that found that industry type might motivate the desire to join a board (Burke, 2000). This column is therefore labelled as ‘sector’.

6. DISCUSSION & CONCLUSION

This study has analysed the results of a detailed questionnaire survey exploring the factors that influence corporate governance practices in Saudi Arabia, with a specific focus on board practices. The findings point to a complex pattern of multi-layered influences, but with less tangible factors (e.g. social, cultural, family and personal) influencing corporate governance practices just as strongly as any formal regulation.

The employment of factor analysis to investigate the evidence appears justified, as a number of institutional forces were evidenced on this basis despite not having been highlighted by examination of average responses. For example, the importance of ownership structure on INED selection was absent in the latter, but clearly demonstrated via the factor analysis. More generally, the views of particular groups of respondents were found to vary in some cases, with the highest number of significant differences (22) emerging when comparing the views of the INED and BS groups. The lowest number of significant differences (6) was found when comparing the opinions of the NED and BS groups. When considered together - and in the context of the relative novelty of the independence concept in the KS - it is likely that those non-executives with an independent background have rapidly moved away from institutional networking with board secretaries that might lead to a common perspective on decision-making processes. Given board secretaries' close proximity to critical corporate activities (Kramer et al., 2006) this particular finding suggests that independence in the Saudi context is already affecting practice in tangible ways.

The findings as a whole point to the importance of the regulatory role of government bodies in all of the governance issues discussed in the questionnaire which seems to be the result of coercive pressures that promote and diffuse corporate governance practices among KSA listed companies, consistent with previous studies in emerging countries (Falgi, 2009; Zagoub, 2011; Black et al., 2006). The issuance of the corporate governance code of 2006 and other regulatory enforcements have led companies to adopt analogous governance practices (DiMaggio and Powell, 1983). However, the level of similarity in conformity does not exceed the mandatory provisions of the code, as the evidence suggests that there are variations in the level of adoption of the voluntary provisions of the code. Indeed, the analysis reveals that government-owned Saudi companies adopt the voluntary provisions as a community of practice possibly because the prevailing institutional logics embedded within these government boards is to adhere to state regulations. In contrast, companies with foreign ownership adopt practices that reflect the influence of the overseas-based controlling shareholder. Family-owned firms also show their own community of practice by being selective about the voluntary aspects of the code. It is therefore evident that KSA firms have responded to external institutional pressure according to the prevailing logics within their community (Lepoutre and Valente, 2012; Helms et al., 2012).

The regular appearance of "sector" as an influence on practice suggests the existence of communities of practice formed around particular industries in Saudi Arabia. The financial sector's practices may be a result of the coercive influence of the financial regulator (SAMA) with increasing amounts of rules being enacted (Scott and Myers, 1991; Greenwood and Hinings, 1996). Finally, the findings indicate that cultural and social factors and personal networks are important drivers in influencing corporate governance practices, but many practices are decoupled from policy as material carriers. Corporate governance practices in the KSA appear to be embedded within the social and cultural context, dictating the way that boards and board members respond to corporate governance regulations; the importance of these societal norms and personal networks are important and need to be considered when implementing what are purportedly 'western' regulations or codes in a country such as Saudi Arabia. Thus, the results of the present analysis are important in comparative corporate governance research in operationalising the need to account for national specifications.

6.1

The promotion of corporate governance practices in KSA starts with acknowledging the institutional logics that drive individuals' actions in order to establish the manner in which embedded corporate governance practices can be changed so as to fit within the Saudi environment. The idea of convergence to a single worldwide corporate governance model has proven its appeal on a global scale (Solomon, 2013). However, such moves have so far neglected the need to reflect the cultural, legal and social institutions in the governance frameworks of a country; the present study has shown that the latter are highly relevant in practice. More specifically, the role played by government representatives on company boards is important, but their involvement and their lack of understanding of business may impact unfavourably onto governance practices of state-owned enterprises. It can therefore be concluded that the current institutional context within Saudi society is incompatible with the corporate governance standards introduced by western countries. Therefore, it is important that KSA authorities acknowledge the institutional environment when developing corporate governance rules in the future, if they are to avoid being decoupled from policy. Corporate governance in the KSA is influenced by the country's social and cultural context and regulators need to understand that issuing governance codes and regulations is only one requirement for a robust governance framework; active involvement is needed and companies, shareholders, stakeholders and regulators need to communicate through actor networks in order to encourage involvement in and increase awareness of corporate governance issues. The KSA regulatory authorities (CMA and SAMA) that have issued governance regulations in Saudi need to interact more via personal networks to accomplish this task; their role up until now has focused on drawing up regulations and motivating compliance by issuing sanctions where firms do not adhere to mandatory governance requirements. More proactive roles are essential to overcome the weakness in current Saudi governance practices in by using networks that facilitates the diffusion of new practice to become the enabling driver of a new institutional logic.

6.2 **Limitations and Future Work**

This study has attempted to address the lack of academic literature on corporate governance in the Islamic world, but future research might target other countries where the cultural and economic environments are different, especially those where socio-political change may have impacted on a wide range of governance-related issues, for example in Egypt. The current investigation deliberately focused on corporate governance practices within listed companies. Future research may also include non-listed companies, and examine their corporate governance practice, and whether similar or different factors influence their governance practices. In addition, the current study only looked at the role of government institutional investors through their representatives as board members. The role of institutional investors, especially of the government, in corporate governance in KSA needs to be investigated further.

Future analyses could usefully investigate corporate governance within different levels of management in alternative types of company ownership structures to examine further the embedded organisational logics. More detailed examination of the role of NEDs and their independence, especially regarding the cultural barriers to such a notion in Arab society might also be of value. The role of shareholders, particularly minority shareholders in corporate governance, and their level of activism within listed companies, also needs to be investigated to evaluate whether improvements therein are feasible given culturally embedded practices. Another fruitful avenue might be to conduct a field study examining the level of diffusion of institutional logics within organisations across individual sectors, and with different ownership structures, looking in particular at the role of the internal actors. Finally, the present study has explored views in Saudi Arabia in 2011 and we therefore acknowledge that a significant amount of time has passed since the fieldwork took place. However, the timing of the work was deliberately intended to allow for the impact of the 2006 introduction of a governance code in the Kingdom to have permeated widely throughout the nation's corporate system. With the reforms made to the rules in 2017 (see Algoere and Hasani, 2019) a follow-up study around 2022 would be useful in terms of examining the incremental impact of the changes. The present study can therefore play an important role in providing a frame of reference for benchmarking developments in individual perspectives in the Kingdom over time.

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Table 4 Factors Influencing the Selection of INED

Factors				Group M					K-W	M- W									
										Chairmen &				CEO &			NED &		INED
	M	SD	R	CH	CEO	NED	INED	BS		CEO	NED	INED	BS	NED	INED	BS	INED	BS	BS
Corporate governance code	2.73	1.44	7	1.67	1.78	3.05	3.25	2.58	0.06	0.71	0.12	0.09	0.38	0.03*	0.01**	0.25	0.69	0.22	0.10
Gov and Regulatory bodies	2.33	1.21	6	2.33	3.33	1.74	3.05	1.94	**0.00****	0.14	0.22	0.40	0.40	0.00**	0.60	0.00**	0.00**	0.98	0.00**
Members of the royal family	4.03	0.89	12	3.31	3.12	4.28	4.10	4.17	**0.02***	0.77	0.08	0.14	0.08	0.01**	0.02*	0.01**	0.56	0.57	0.92
Islamic values	4.02	0.93	11	3.30	4.00	3.89	4.10	4.13	0.51	0.01**	0.23	0.15	0.09	0.63	0.64	0.33	0.88	0.73	0.82
Personal relationships	**1.70**	0.70	1	2.67	1.89	1.53	1.80	1.58	**0.03***	0.08	0.01**	0.04	0.01**	0.13	0.70	0.10	0.17	0.86	0.11
Courtesy to others	**1.82**	0.89	3	3.33	1.89	1.47	1.75	1.90	0.06	0.05	0.01**	0.02*	0.05	0.09	0.55	0.54	0.16	0.15	0.97
Position in society	**1.93**	0.94	4	2.00	1.89	1.89	1.80	2.03	0.89	0.72	0.44	0.51	0.69	0.53	0.70	0.94	0.65	0.44	0.72
Family ownership	3.01	1.45	9	2.67	3.11	3.11	3.05	2.94	0.99	0.60	0.73	0.58	0.88	0.74	0.88	0.99	0.83	0.91	0.79
Government ownership	2.94	1.43	8	3.33	3.33	2.74	3.11	2.81	0.76	1.00	0.58	0.75	0.57	0.39	0.61	0.37	0.36	0.68	0.42
Top Management	4.05	0.86	13	3.33	4.22	4.05	4.11	4.03	0.74	0.11	0.28	0.15	0.26	0.61	1.00	0.77	0.59	0.87	0.78
Company size	4.07	0.86	14	3.33	4.22	4.21	4.30	3.87	0.16	0.03*	0.11	0.05	0.22	0.65	0.60	0.29	0.98	0.17	0.09
Company sector	3.87	1.12	10	3.33	4.22	4.00	4.00	3.65	0.47	0.03*	0.16	0.21	0.39	0.83	0.51	0.38	0.57	0.27	0.53
Experience and Qualification of Nominee	1.74	0.87	2	2.67	1.56	1.56	1.80	1.77	0.39	0.07	0.06	0.12	0.11	0.82	0.81	0.61	0.56	0.38	0.79
Nominee being on other	2.10	1.15	5	3.33	1.56	2.11	2.10	2.13	0.17	0.01**	0.06	0.07	0.05	0.26	0.47	0.18	0.77	0.92	0.63

Note: This table shows the means and group means for the respondents. R= factors ranks in the order of importance. The results of the Kruskal Wallis test (K-W) shows significant differences across the groups' responses. Mann-Whitney p values indicate the difference between the responses of total groups the final row and column show the number of significant differences. Responses are based on a five-point Likert scale where 1 = strongly agree, 2= agree. 3= neutral, 4= disagree, 5= strongly disagree. A */** indicates significance at the 5%/1% level respectively.

Appendix 2 Factors Influencing the Selection of NEDs and INEDs

Factors	NEDs						INEDs					
	1	**2**	**3**	**4**	**5**	**6**	**1**	**2**	**3**	**4**	**5**	**6**
	Regulation	Social status	**Personal traits Vs Government influence**	Company sector	Islamic values	Family influence	Cultural and regulatory influences	Ownership	**Personal traits V government influence**	Social status	**Company sector**	**Company characteristics**
Corporate governance code	**0.778**	-0.149	-0.165	0.299	-0.247	-0.069	-0.145	**-0.481**	0.152	0.156	-0.566	0.140
Gov and Regulatory bodies	**0.644**	0.366	-0.195	-0.020	0.344	-0.051	**0.598**	-0.130	0.457	0.289	-0.143	-0.012
Members of the royal family	-0.157	**0.477**	-0.452	0.378	0.213	-0.358	0.271	0.344	-0.195	**0.665**	-0.171	0.183
Islamic principles	-0.006	0.186	0.092	**0.435**	**0.656**	-0.223	0.299	-0.102	0.076	**0.608**	0.288	0.446
Personal relationships	0.375	0.185	0.229	**-0.491**	0.219	0.317	**0.583**	0.100	0.379	-0.351	-0.022	0.089
Courtesy to others	0.500	0.370	0.212	-0.390	0.295	0.085	**0.634**	-0.049	0.433	-0.282	-0.032	-0.038
Position in society	-0.185	**0.662**	0.126	-0.186	-0.293	-0.023	**0.421**	0.437	-0.389	-0.279	-0.274	0.044
Family ownership	-0.570	0.158	-0.294	0.137	0.112	**0.576**	-0.195	**0.721**	0.053	0.149	0.052	-0.044
Government ownership	0.258	0.315	**-0.675**	-0.142	-0.108	0.199	0.132	**0.586**	**0.448**	0.067	-0.107	-0.224
Top Management	-0.008	-0.332	0.537	-0.031	0.256	-0.141	-0.113	-0.148	0.249	-0.305	0.458	**0.568**
Company size	0.599	-0.368	-0.107	0.363	-0.268	0.182	-0.120	-0.577	0.264	0.169	-0.229	-0.312
Company sector	0.040	-0.170	0.092	**0.416**	0.389	0.574	0.105	-0.091	0.146	0.249	**0.637**	**-0.546**
Experience and Qualification of nominee	-0.033	-0.589	**0.440**	0.363	-0.310	0.148	**0.527**	-0.110	**-0.631**	-0.025	0.047	-0.140
Nominee being on other boards	0.201	0.387	**0.505**	0.391	-0.235	0.060	**0.509**	-0.435	**-0.442**	-0.035	0.134	-0.047
Eigen values	**2.262**	**1.923**	**1.690**	**1.479**	**1.340**	**1.072**	**2.090**	**2.008**	**1.709**	**1.413**	**1.232**	**1.055**
Proportion of variance	**16.160**	**13.732**	**12.071**	**10.566**	**9.568**	**7.657**	**14.931**	**14.346**	**12.210**	**10.095**	**8.802**	**7.535**
Cumulative variance	**16.160**	**29.892**	**41.963**	**52.529**	**62.097**	**69.754**	**14.931**	**29.278**	**41.488**	**51.583**	**60.384**	**67.920**

Note: This table reports the results of Factor analysis. The top part of the table shows the weightings for the variables of each column; the factors with high correlation in each column are highlighted in bold. The bottom part of the table highlights the importance of each column in showing the eigenvalues, the percentage of variance and cumulative percentage. The Kaiser criterion was used to decide on the principal components which should be presented in the results. Kaiser (1960) recommends that principal components with latent roots greater than one should be retained.

Table 5 Factors Influencing Board Committee Selection

Factors	Audit			Remuneration			Executive		
	R	M	SD	R	M	SD	R	M	SD
CG code	**3**	**2.11**	0.981	**2**	**2.23**	1.05	13	3.33	1.774
Government and Regulatory bodies	**5**	**2.88**	1.400	**5**	**2.99**	1.31	**7**	**2.87**	1.936
Islamic values	14	4.24	0.854	12	4.26	0.66	12	3.27	1.988
Favouritism	12	3.91	1.259	13	4.28	0.79	8b	2.94	1.971
Personal relationships	**4**	**2.85**	1.467	6	3.06	1.34	4	2.37	1.781
Courtesy to others	11	3.74	1.265	8	3.78	1.31	9	2.96	2.003
Position in society	8	3.65	1.391	9	3.79	1.26	6	2.79	2.017
Family ownership	6	2.91	1.354	4	2.52	1.28	**3**	2.13	1.691
Government ownership	7	3.04	1.444	7	3.37	1.44	5	2.65	1.895
Top Management	9	3.68	1.216	11	4.04	1.05	11	3.17	1.961
Company size	10	3.71	1.262	10	3.95	1.04	8a	2.94	1.901
Company sector	13	3.95	1.065	14	4.21	0.75	10	3.10	1.960
Experience and Qualification of BM	**2**	**1.46**	0.613	**3**	**2.43**	1.11	**1**	**1.16**	0.895
BM being on similar committees	**1**	**1.44**	0.611	**1**	**1.59**	0.54	**2**	**1.17**	0.900

Note: this table shows the mean and standard deviation. R= factor ranks in the order of importance. M= means. SD = standard deviation. Responses are based on a five-point Likert scale where 1 = strongly agree, 2= agree. 3= neutral, 4= disagree, 5= strongly disagree

Table 6 Factors Influencing the Selection of Audit Committee Members

Factors	Means					K-W	M-W										
							Chairmen and				CEO			NED		INED V BS	No Diff
	CH	CEO	NED	INED	BS		CEO	NED	INED	BS	NED	INED	BS	INED	BS		
CG code	1.67	2.56	1.79	1.95	2.32	0.29	0.21	0.92	0.37	0.32	0.08	0.22	0.59	0.37	0.11	0.36	0
Government and	2.00	2.00	3.37	1.90	3.55	0.00**	1.00	0.13	0.91	0.07	0.02*	0.90	0.00**	0.00**	0.69	0.00**	4
Islamic values	2.67	3.89	4.47	4.10	4.45	0.02*	0.10	0.01**	0.03*	0.01**	0.05	0.22	0.04*	0.19	0.92	0.18	4
Favouritism	3.67	4.00	2.53	4.20	4.58	0.00**	0.47	0.17	0.10	0.02*	0.01**	0.21	0.02*	0.00**	0.00**	0.09	5
Personal	2.67	2.00	2.63	1.85	3.90	0.00**	0.32	0.88	0.20	0.11	0.22	0.85	0.00**	0.07	0.00**	0.00**	3
Courtesy to others	4.00	3.89	3.26	4.05	3.77	0.50	0.72	0.55	0.55	0.85	0.44	0.28	0.72	0.10	0.23	0.52	0
Position in society	2.00	4.22	3.63	3.40	3.81	0.22	0.05	0.12	0.19	0.07	0.32	0.14	0.84	0.61	0.41	0.21	0
Family ownership	2.00	3.56	3.37	2.15	3.03	0.02*	0.04*	0.09	0.85	0.31	0.75	0.00**	0.39	0.00**	0.45	0.06	3
Government	2.67	3.33	2.47	2.55	3.65	0.02*	0.33	0.52	0.61	0.13	0.11	0.09	0.30	0.52	0.02*	0.01**	2
Top Management	4.00	3.89	3.95	2.25	4.35	0.00**	0.72	0.65	0.01**	0.26	0.48	0.00**	0.06	0.00**	0.37	0.00**	4
Company size	2.67	3.44	3.63	3.35	4.16	0.10	0.23	0.20	0.35	0.04*	0.76	0.92	0.10	0.60	0.16	0.05	1
Company sector	2.67	3.67	4.05	3.50	4.39	0.01**	0.14	0.05	0.20	0.01**	0.09	0.86	0.01**	0.09	0.36	0.01**	3
Experience and	1.67	1.33	1.32	1.55	1.52	0.66	0.47	0.40	0.87	0.62	0.94	0.36	0.52	0.21	0.33	0.56	0
BM being on similar committees on other	1.33	1.44	1.32	1.55	1.45	0.79	0.75	0.92	0.43	0.70	0.79	0.46	0.97	0.28	0.67	0.33	0
							1	1	2	4	2	2	5	4	3	5	

Note: This table shows the means and group means for the respondents. R= factors ranks in the order of importance. The results of the Kruskal Wallis test (K-W) shows significant differences across the groups' responses. Mann-Whitney p values indicate the difference between the responses of total groups, the final row and column show the number of significant differences. Responses are based on a five-point Likert scale where 1 = strongly agree, 2= agree. 3= neutral, 4= disagree, 5= strongly disagree. A */** indicates significance at the 5%/1% level respectively

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Table 7 Factors Influencing the Selection of Remuneration and Nomination Committee Members

Factors	MEANS					K-W	M-W										Sig
							CH and				CEO and			NED and		INED &	
	CH	CE	NE	INE	BS		CEO	NED	INED	BS	NED	INED	BS	INED	BS		
CG code	2.3	2.33	1.95	2.10	2.4	0.74	0.92	0.65	1.00	0.83	0.43	0.70	0.87	0.55	0.19	0.41	0
Government	2.6	2.33	2.32	2.15	3.5	**0.00***	0.47	0.28	0.05	0.21	0.05	0.28	0.01*	0.01*	0.67	0.00**	3
Islamic	3.3	3.56	4.42	4.30	4.4	**0.00***	0.67	0.02	0.01*	0.02	0.01*	0.01*	0.00*	0.40	0.98	0.34	5
Favouritism	4.6	3.22	4.11	4.40	4.5	**0.00***	0.02*	0.17	0.40	0.91	0.00*	0.00*	0.00*	0.28	0.01*	0.12	5
Personal	4.0	1.89	2.21	2.95	3.9	**0.00***	0.01*	0.01*	0.08	0.56	0.48	0.01*	0.00*	0.02*	0.00*	0.00**	7
Courtesy to	3.6	4.22	3.21	4.45	3.7	**0.01***	0.01*	0.17	0.00*	0.02	0.17	0.39	0.57	0.02*	0.21	0.12	4
Position in	3.3	4.22	3.84	3.65	3.7	0.70	0.18	0.33	0.60	0.35	0.79	0.24	0.73	0.45	0.94	0.44	0
Family	2.3	2.44	2.63	2.15	3.8	**0.00***	0.77	0.10	1.00	0.29	0.05	0.45	0.34	0.01*	0.00*	0.01**	3
Government	3.0	3.22	3.58	2.85	3.6	0.19	0.70	0.37	0.84	0.25	0.37	0.49	0.25	0.09	0.94	0.03*	1
Top	3.6	1.67	4.32	4.40	4.3	**0.00***	0.01*	0.15	0.06	0.10	0.00*	0.00*	0.00*	0.90	0.93	0.97	4
Company	2.6	3.44	3.84	4.15	4.1	0.14	0.32	0.12	0.04	0.04	0.35	0.14	0.08	0.64	0.46	0.76	1
Company	2.6	4.00	4.32	4.15	4.3	0.06	0.05	0.02*	0.04	0.01	0.18	0.53	0.08	0.49	0.69	0.26	2
Experience	2.0	2.56	2.26	2.65	2.3	0.75	0.57	1.00	0.19	0.64	0.61	0.90	0.73	0.24	0.69	0.39	0
BM being on similar	2.67	1.44	1.53	1.75	1.45	**0.02***	0.02*	0.01**	0.01**	0.01*	0.69	0.12	0.97	0.15	0.61	0.04*	5
Number of							5	3	3	5	3	4	5	4	3	5	

Note: This table shows the means and group means for the respondents. R= factors ranks in the order of importance. The results of the Kruskal Wallis test (K-W) shows significant differences across the groups' responses. Mann-Whitney p values indicate the difference between the responses of total groups, the final row and column show the number of significant differences. Responses are based on a five-point Likert scale where 1 = strongly agree, 2= agree. 3= neutral, 4= disagree, 5= strongly disagree. A */** indicates significance at the 5%/1% level respectively.

Appendix 3 Factor Analysis - Selection of Audit and Remuneration and Nomination committees

Factors	Audit committee				Remuneration & Nomination committee					
	1	2	3	4	1	2	3	4	5	6
	Social & cultural	Sector	Personal traits	Regulation	Social & cultural	Sector	Family Ownership	Personal traits	Committee experience	Regulation
CG code	0.484	-0.033	0.012	**0.477**	0.302	0.047	**-0.485**	0.029	-0.366	**0.550**
Gov and Regulatory bodies	0.589	-0.075	-0.458	-0.132	0.550	-0.330	0.322	0.059	0.162	-0.302
Islamic values	0.585	0.433	0.363	-0.364	0.390	0.638	0.152	-0.033	0.194	-0.024
Favouritism	0.599	-0.176	0.253	-0.023	**0.493**	0.343	-0.294	0.082	0.365	-0.116
Personal relationships	**0.725**	-0.219	-0.312	-0.158	**0.724**	-0.115	-0.354	-0.149	0.053	0.106
Courtesy to others	**0.595**	-0.445	0.201	-0.239	**0.639**	-0.294	-0.086	0.197	-0.168	-0.085
Position in society	**0.573**	-0.258	-0.026	0.201	0.474	-0.489	0.313	0.229	-0.032	0.139
Family ownership	0.081	0.698	-0.212	0.451	-0.198	0.107	**0.475**	0.450	0.279	0.154
Government ownership	0.621	-0.396	-0.157	0.158	0.630	-0.294	0.330	-0.205	-0.161	0.116
Top Management	0.579	0.255	**-0.465**	0.093	0.445	0.477	-0.100	-0.223	0.342	-0.282
Company size	0.372	**0.640**	-0.054	-0.090	0.075	**0.670**	-0.042	0.368	-0.353	0.021
Company sector	0.548	**0.512**	0.161	-0.105	0.379	**0.518**	0.406	0.202	**-0.451**	0.049
Experience and Qualification of BM	0.229	-0.163	0.493	**0.556**	0.026	-0.265	**-0.447**	**0.711**	0.236	-0.156
BM being on other similar committees	0.310	0.145	**0.723**	-0.031	0.069	0.086	0.141	-0.005	**0.641**	**0.656**
Eigenvalues	**3.805**	**1.968**	**1.626**	**1.067**	**2.735**	**2.095**	**1.411**	**1.379**	**1.102**	**1.020**
Proportion of variance	**27.177**	**14.055**	**11.615**	**7.619**	**19.533**	**14.962**	**10.078**	**9.852**	**7.868**	**7.284**
Cumulative variance	**27.177**	**41.232**	**52.847**	**60.465**	**19.533**	**34.494**	**44.572**	**54.423**	**62.292**	**69.576**

Note: This table reports the results of Factor analysis. The top part of the table shows the weightings for the variables of each column; the factors with high correlation in each column are highlighted in bold. The bottom part of the table highlights the importance of each column in showing the eigenvalues, the percentage of variance and cumulative percentage. The Kaiser criterion was used to decide on the principal components which should be presented in the results. Kaiser (1960) recommends that principal components with latent roots greater than one should be retained.

Table 8 Factors Influencing Number of Directorships

Factors	M	SD	Means					K-W P value	Mann – Whitney										
									Chairmen &				CEO &			NED &		INED& BS	
			CH	CEO	NED	INED	BS		CEO	NED	INED	BS	NED	INED	BS	INED	BS		
Corporate	2.48	1.16	1.67	1.22	3.05	2.05	2.84	**0.00**	0.18	0.08	0.15	0.07	0.00**	0.00**	0.00**	0.01**	0.76	0.00**	5
Gov and	4.22	0.89	2.67	4.11	4.53	4.30	4.16	0.12	0.10	0.01**	0.04*	0.04*	0.16	0.52	0.60	0.38	0.27	0.85	3
Economic	2.66	1.44	2.67	2.22	3.11	1.60	3.19	**0.00**	0.57	0.56	0.15	0.49	0.19	0.07	0.09	0.00**	0.88	0.00**	2
Favouritism	4.11	0.78	4.00	4.11	4.11	4.20	4.07	0.98	0.79	0.80	0.62	0.87	0.98	0.76	0.89	0.76	0.84	0.55	0
Personal	**1.80**	0.79	4.00	1.78	1.58	1.85	1.77	**0.06**	0.01**	0.01**	0.01**	0.02*	0.30	0.79	0.61	0.15	0.46	0.38	4
Courtesy to	2.69	1.42	4.00	4.11	1.58	4.20	1.87	**0.00**	0.79	0.01**	0.62	0.02*	0.00**	0.76	0.00**	0.00**	0.26	0.00**	6
Position in	**1.81**	0.80	3.50	1.78	1.58	1.95	1.77	**0.07**	0.01**	0.02*	0.03*	0.02*	0.30	0.58	0.61	0.12	0.46	0.27	4
Family	3.09	1.26	2.50	4.11	3.28	3.25	2.59	**0.02**	0.05	0.35	0.37	1.00	0.05	0.05	0.00**	0.94	0.09	0.08	1
Government	3.23	1.26	3.00	4.11	2.74	3.70	2.97	**0.02**	0.08	0.80	0.29	0.87	0.01**	0.38	0.02*	0.02*	0.62	0.05	3
Top	4.18	0.76	4.00	4.11	4.21	4.25	4.13	0.96	0.79	0.61	0.54	0.74	0.73	0.63	0.93	0.87	0.73	0.59	0
Company size	3.99	1.06	2.00	4.11	3.95	4.15	4.00	0.21	0.03	0.05	0.02*	0.03*	0.92	0.58	0.93	0.53	0.97	0.47	2
Company sector	2.74	1.39	2.00	3.33	2.78	1.80	3.24	**0.01**	0.19	0.79	0.49	0.21	0.31	0.00**	0.89	0.23	0.29	0.00**	2
Experience of	4.19	0.93	2.00	3.22	4.53	4.40	4.27	**0.01**	0.22	0.01**	0.01**	0.02*	0.01**	0.02*	0.03*	0.43	0.36	0.86	6
Qualification of	4.34	0.76	2.00	4.56	4.53	4.40	4.27	**0.08**	0.02*	0.01**	0.01**	0.02*	0.89	0.44	0.40	0.43	0.36	0.86	4
Insider dealing	3.54	1.28	4.00	4.22	3.68	3.10	3.50	**0.07**	0.30	0.61	0.15	0.56	0.61	0.01	0.04*	0.09	0.22	0.14	1
									3	6	6	7	4	3	6	4	0	4	

Note: This table shows the means and group means for the respondents. R= factors ranks in the order of importance. The results of the Kruskal Wallis test (K-W) shows significant differences across the groups' responses. Mann-Whitney p values indicate the difference between the responses of total groups, the final row and column show the number of significant differences. Responses are based on a five-point Likert scale where 1 = strongly agree, 2= agree. 3= neutral, 4= disagree, 5= strongly disagree. A */** indicates significance at the 5%/1% level respectively.

Appendix 4 Factor Analysis -Influences on the Number of Directorships

Factors	1	2	3	4	5
	Personal traits	Family Ownership	Government Ownership	CG code	Sector
Corporate governance code	0.289	-0.287	-0.019	**0.659**	0.285
Government and Regulatory bodies	0.604	0.316	0.047	0.111	0.371
Economic factors	0.223	-0.623	0.466	0.184	-0.127
Favouritism	0.420	0.313	0.444	-0.297	0.006
Personal relationships	-0.658	0.394	0.291	0.440	0.121
Courtesy to others	-0.538	0.534	0.332	-0.303	0.188
Position in society	-0.623	0.419	0.301	0.445	0.109
Family ownership	0.021	**0.710**	-0.503	-0.142	0.069
Government ownership	-0.151	-0.220	**0.764**	-0.272	0.088
Top Management	0.432	0.437	0.353	0.275	-0.253
Company size	0.403	0.292	0.369	0.091	-0.485
Company sector	0.249	0.282	-0.194	0.290	**-0.695**
Experience of BM	**0.709**	0.152	0.114	0.174	0.374
Qualification of BM	**0.747**	0.207	-0.006	-0.084	0.307
Insider dealing by board members	0.242	0.084	0.165	-0.399	-0.154
Eigenvalues	**3.337**	**2.268**	**1.877**	**1.511**	**1.350**
Percentage of Variance	**22.246**	**15.119**	**12.513**	**10.072**	**8.998**
Cumulative Percentage	**22.246**	**37.365**	**49.878**	**59.951**	**68.948**

Note: This table reports the results of Factor analysis. The top part of the table shows the weightings for the variables of each column; the factors with high correlation in each column are highlighted in bold. The bottom part of the table highlights the importance of each column in showing the eigenvalues, the percentage of variance and cumulative percentage. The Kaiser criterion was used to decide on the principal components which should be presented in the results. Kaiser (1960) recommends that principal components with latent roots greater than one should be retained.

ENDNOTES:

[1]The Gulf region hosts many countries that have adopted corporate governance codes. The first such country to adopt a code was Oman, in 2002, possibly due to the influence of foreign investors, since Oman has offered an open market to these parties since 1998 (Sourial, 2004). Saudi Arabia recently introduced the 2017 revised version of the code (see Algoere and Hasani, 2019).

[1] However, the study found that two main factors had hindered the development of corporate governance in Saudi Arabia, namely a lack of systems capable of effectively governing companies and the lack of any emphasis on values and principles.

[1]These included chairmen, chief executives, board secretaries and non-executives.

[1] Cronbach's alpha was used to measure the reliability of the questionnaire responses, and the resulting score of 0.77 suggests reliability in the questionnaire responses.

[1]The Shapiro-Wilk test indicated significant non-normality in the data.

[1]The NEDs and BSs indicated that government and regulatory bodies influenced chairmen's selection, while all the other groups disagreed. This might be because most of the NEDs and BSs responses came from government-controlled boards (34% and 30% of each group respectively) and might be more likely to observe the influence of regulatory influence on chairmen's selection in companies that are state-controlled.

[1] To examine the impact of respondent firms' ownership structures on their views regarding this matter, the results relating to the perceived influence of family and government ownership were disaggregated across responses from individuals operating in each type of company. Respondents from family-controlled boards strongly agreed that family ownership influences the selection of both NED and INEDs, while respondents from government-controlled boards agreed that government ownership influences the selection of both types of director. These results, available from the authors on request, point to the influence of current experiences on views on an issue where the whole sample results suggested that these factors had very limited impact.

[1]An explanation of this finding may lie in a view that emerged from the preliminary discussions with board members referred to earlier, where government-controlled companies were perceived as having a tendency to nominate government employees on to boards, even though such representatives were thought to have very little input, precisely because they do not have the experience and qualifications necessary to serve as a director.

[1]Article 12 (e) of the 2006 version of the code includes the new provision that one-third, or two members of the board, whichever is the greater, must be independent.

[1] The final column shows a high loading for factors 'top management' 'company sector'. This suggests that top management have an influence on the selection of INEDs. Although close to the conventional cut-off of Eigenvalue of 1.0 this column, labelled as "company characteristics" suggests that influences on corporate governance practices in the developed world do play a role in the KSA as well as the 'softer' institutional factors already highlighted.

[1]The audit committee has been part of the mandatory requirement of the corporate governance code for all listed companies since 2008, while the adoption of an R&N committee only became mandatory in 2011.

[1]It is surprising that only eight present of the respondents had Sharia committees; a higher percentage would be expected given that 23% of the respondents are from the financial sector. Further investigation of this area might be a possible avenue for future research.

[1]This provision is voluntary in the Saudi corporate governance code.

[1]An explanation of this finding may lie in a suggestion made in the preliminary discussions where a number of the NEDs consulted indicated that whilst time constraints often make them reluctant to join the board of another company, in practice they might agree to accept invitations out of courtesy.

[1] After analysing the responses by ownership type is became evident that the respondents from family-owned companies and foreign-owned companies agreed that family ownership influenced the number of directorships, while respondents from government- and dispersed-owned companies disagreed. The difference in the groups' opinions regarding the influence of family and government ownership might be because of the type of company ownership the respondents represented. These results are available from the authors on request.

[1] Other methods in determining the number of principle components to retain have also been discussed in the literature such as the Scree test or on the basis of a total percentage of variance cut-off at 70%.

[i] The Gulf region hosts many countries that have adopted corporate governance codes. The first such country to adopt a code was Oman, in 2002, possibly due to the influence of foreign investors, since Oman has offered an open market to these parties since 1998 (Sourial, 2004). Saudi Arabia recently introduced the 2017 revised version of the code (see Algoere and Hasani, 2019).

[i] However, the study found that two main factors had hindered the development of corporate governance in Saudi Arabia, namely a lack of systems capable of effectively governing companies and the lack of any emphasis on values and principles.

[iii] These included chairmen, chief executives, board secretaries and non-executives.

[iv] Cronbach's alpha was used to measure the reliability of the questionnaire responses, and the resulting score of 0.77 suggests reliability in the questionnaire responses.

[v] The Shapiro-Wilk test indicated significant non-normality in the data.

[v] The NEDs and BSs indicated that government and regulatory bodies influenced chairmen's selection, while all the other groups disagreed. This might be because most of the NEDs and BSs responses came from government-controlled boards (34% and 30% of each group respectively) and might be more likely to observe the influence of regulatory influence on chairmen's selection in companies that are state-controlled.

[v] To examine the impact of respondent firms' ownership structures on their views regarding this matter, the results relating to the perceived influence of family and government ownership were disaggregated across responses from individuals operating in each type of company. Respondents from family-controlled boards strongly agreed that family ownership influences the selection of both NED and INEDs, while respondents from government-controlled boards agreed that government ownership influences the selection of both types of director. These results, available from the authors on request, point to the influence of current experiences on views on an issue where the whole sample results suggested that these factors had very limited impact.

[v] An explanation of this finding may lie in a view that emerged from the preliminary discussions with board members referred to earlier, where government-controlled companies were perceived as having a tendency to nominate government employees on to boards, even though such representatives were thought to have very little input, precisely because they do not have the experience and qualifications necessary to serve as a director.

[ix] Article 12 (e) of the 2006 version of the code includes the new provision that one-third, or two members of the board, whichever is the greater, must be independent.

[x] The final column shows a high loading for factors 'top management' 'company sector'. This suggests that top management have an influence on the selection of INEDs. Although close to the conventional cut-off of Eigenvalue of 1.0 this column, labelled as "company characteristics" suggests that influences on corporate governance practices in the developed world do play a role in the KSA as well as the 'softer' institutional factors already highlighted.

[xi] The audit committee has been part of the mandatory requirement of the corporate governance code for all listed companies since 2008, while the adoption of an R&N committee only became mandatory in 2011.

[xii] It is surprising that only eight present of the respondents had Sharia committees; a higher percentage would be expected given that 23% of the respondents are from the financial sector. Further investigation of this area might be a possible avenue for future research.

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[xiv] An explanation of this finding may lie in a suggestion made in the preliminary discussions where a number of the NEDs consulted indicated that whilst time constraints often make them reluctant to join the board of another company, in practice they might agree to accept invitations out of courtesy.

[x] After analysing the responses by ownership type is became evident that the respondents from family-owned companies and foreign-owned companies agreed that family ownership influenced the number of directorships,

while respondents from government- and dispersed-owned companies disagreed. The difference in the groups' opinions regarding the influence of family and government ownership might be because of the type of company ownership the respondents represented. These results are available from the authors on request.