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Book

Enhancing Boardroom Diversity in Saudi Arabia

Reference: Eskandarany, Abdullah (2023). Enhancing Boardroom Diversity in Saudi Arabia. Berlin : Boston : De Gruyter.
https://doi.org/10.1515/9783110741735.
https://www.degruyter.com/isbn/9783110741735.
doi:10.1515/9783110741735.

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De Gruyter Studies in Corporate Governance

Series Editor
Jill Atkins

Volume 4

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ISBN 978-3-11-074161-2
e-ISBN (PDF) 978-3-11-074173-5
e-ISBN (EPUB) 978-3-11-074185-8
ISSN 2570-1673
e-ISSN 2570-1681
DOI https://doi.org/10.1515/9783110741735

Library of Congress Control Number: 2022947856

Bibliographic information published by the Deutsche Nationalbibliothek
The Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data are available on the Internet at http://dnb.dnb.de.

Typesetting: Integra Software Services Pvt. Ltd.
Printing and binding: CPI books GmbH, Leck

www.degruyter.com

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1 Background to the Study

The role of a board of directors is a vital mechanism of corporate governance, and the composition of a boardroom is important in order to enhance this mechanism (Cadbury, 1992; Buse et al., 2016; and Abad et al., 2017). According to Solomon (2021), board diversity can contribute to the effectiveness of a board of directors. In response to research undertaken into boardroom composition and diversity, many government organisations have reviewed their governance codes to introduce some kind of boardroom diversity. Terjesen et al. (2016) reports that sixteen governance codes now deal with gender diversity in the boardroom, and thirteen countries have sought to address gender quotas. However, according to the OECD (2019) none of the MENA countries have adopted such regulations, except for the UAE which has adopted these rules only for state owned companies. Kemp (2020) suggests that academic researchers and practitioners need to rethink and resee issues concerning women's development in Arab countries. In a setting like Saudi Arabia, in the context of its geographical area, and religion and culture, the issue of female empowerment is emerging as an important aspect of research about board diversity.

Previous studies have discussed the importance of boardroom composition and how diversity in the boardroom can enhance corporate governance. Moreover, most research undertaken agrees that there is a relationship between boardroom diversity and a firm's performance (Lucas-Pérez et al., 2015; Campbell and Mínguez-Vera, 2008; Carter et al., 2003; Terjesen et al., 2016; Ferrero-Ferrero et al., 2015; Gordini and Rancati, 2017). However, there are a few exceptions to this trend, such as Rose (2007); Carter et al. (2010); Gallego-Álvares et al. (2010). Additionally, recent research focuses mostly on gender diversity rather than on other elements of boardroom diversity, such as nationality, age, background education, qualification levels, and expertise. Terjesen et al. (2016); and Ferrero-Ferrero et al. (2015) suggest that investigating a combination of diversity types can lead to a better understanding of boardroom diversity. Also, a study by Sarhan et al. (2019) recommends that looking at other components such as educational background, experience, and age might offer new insights. Furthermore, a study by Khatib et al. (2021a) using a bibliometric analysis, it evaluate articles published about board diversity; this study concludes that the characteristics of demographic diversity need to be examined in order to develop research in this area.

Recent research into boardroom diversity has mostly been undertaken in developed countries, while only a few studies have been undertaken in emerging economies. Al-Matari and Alosaimi (2022) argue that this is because of a shortage of data, which means that prior studies have neglected the GCC economies. Moreover, studies undertaken in different parts of the world often produce different results (see Abdullah, 2014; Loukil and Yousfi, 2016; Mahadeo et al., 2012; Alshareef and Sandhu, 2015; Makhlouf et al., 2018; Sarhan et al., 2019; and Issa and Fang, 2019). In Saudi Arabia, recent changes made to its Corporate Governance Code (CGC) have shifted

https://doi.org/10.1515/9783110741735-001

the governance framework, but it still faces challenges to ensure board of director effectiveness (Naif and Ali, 2019). In a nutshell, many Saudi Arabian corporate boards are still not effective (Alamri, 2018; Altobashi, 2019). Indeed, the new Saudi CGC still does not afford importance to boardroom diversity. According to a study by Piesse et al. (2012) the effectiveness of Saudi boardrooms is open to question, because these boards are usually controlled by dominant major shareholders (who generally have a family concentration, or by the state ownership). Al-Janadi et al. (2016) also note that Saudi Government ownership of Saudi firms has a negative impact on director effectiveness, because the Government influences the monitoring of firms, and this negatively impacts on corporate governance and the provision of quality information. However, one of the main goals of the Saudi Vision 2030 is to reform corporate social responsibility and corporate governance, and this goal has provided an incentive to conduct the current study (see Vision 2030, 2017). Indeed, this book seeks to enhance knowledge about boardroom diversity in Saudi Arabia with a view to advancing boardroom effectiveness in Saudi Arabian listed companies.

The current monograph is exploratory and uses secondary data collected from the Saudi Arabian stock market *Tadawul*. The findings of previous research reveal strong evidence to suggest low female representation in boardrooms in Saudi Arabia, and that diversity is influenced by ownership structures and industry sectors (see for example, Piesse et al., 2012; Alshareef and Sandhu, 2015; Alhejji et al., 2018; Sarhan et al., 2019; and Issa and Fang, 2019). However, no research prior to that outlined in this book has been undertaken which looks at different board diversity attributes, or which discusses these attributes in detail.

Recent prior studies have focussed on gender diversity more extensively than on other types of boardroom diversity, such as age, expertise, educational background, qualification levels, and nationality. Studying different combinations of diversity can help extend knowledge by revealing the impact of different types of boardroom diversity on boardroom effectiveness, and can address the limitations of studies that only explore gender diversity (Terjesen et al., 2016). Exploring multiple types of diversity can also enhance an understanding of boardroom relationships and business outcomes, as suggested by Ferrero-Ferrero et al. (2015).

Numerous studies addressing boardroom diversity have been carried out in developed countries, but fewer have been undertaken in developing countries. Loukil and Yousfi (2016) note that only a few empirical financial studies have been conducted in emerging economies. This means that little attention has been given to the role of boardroom diversity in emerging economies. Furthermore, even though some research has been undertaken in this field in emerging economies (notably by Abdullah (2014); Loukil and Yousfi (2016); Mahadeo et al. (2012); and Alshareef and Sandhu (2015)), these studies report different results when compared with each other, and when compared with other studies carried out in developed economies. The inconsistency of the results provided incentive to undertake further study.

Additionally, a significant amount of research undertaken in this field generally does not explore barriers such as culture, religion, regulations, the norms experienced by women directors, and election to the boardroom, in terms of both gender diversity and other types of boardroom diversity (see Gordini and Rancati, 2017; Alexander, 2016; Carter et al., 2003, 2010; and Kakabadse et al., 2015). Loukil and Yousfi (2016) suggest that further research needs to explore the importance of the intervention of social dimensions on boardroom composition. Exploring social dimensions in different countries might go some way towards explaining why the number of women serving on boards has not really increased in recent times, in spite of the potential that women can bring to enhancing boardroom effectiveness (Chen et al., 2016).

Recently, the Saudi Government announced the Saudi Vision 2030 for economic development. According to the official report made about this national development plan for 2030 (available at http://vision2030.gov.sa/en/ntp), part of the vision is to focus on creating diverse revenues for the country. Moreover, it outlines plans to attract international investors into Saudi markets, and to develop human capital by empowering future leaders (both men and women) and improving policies. Therefore, understanding how diversity works in the boardroom, and how corporate board effectiveness works, will enhance the mechanisms of corporate governance, in order to contribute towards encouraging the objectives of the Saudi Vision 2030.

In Saudi Arabia, there is a lack of diversity within the make-up of the corporate board. For example, boards are mainly run by men rather women, and only a few women have been appointed to boards in comparison to men. According to the Saudi Stock Market, *Tadawul* only nine women have been elected to boards out of a total 1,454 directorships in 2016/17. This constitution and structure could be one reason why effectiveness is an issue. However, the diversity of board members has not yet been given any importance in Saudi Arabia's legal codes. Many scholars argue that diversity would contribute to the effectiveness of the boards, and to corporate governance in general (Adams and Ferreira, 2009; Ferrero-Ferrero et al., 2015; Buse et al., 2016; Byoun et al., 2016; Chen et al., 2016). This book aims to enrich knowledge in order to work towards enhancing boardroom diversity in Saudi Arabian listed companies.

The secondary data was collected from the Saudi stock market *Tadawul,* and from associated financial reports, board reports, and other online data. The sample size comprised 176 companies and 1,454 board members for 2016; and 201 companies and 1,575 board members for 2021.Variables were analysed for diversity (gender, nationality, qualification levels, educational background, age, and experience) and company variables (average pay, classifications, sectors, regions, foreign ownership, family ownership, institutional ownership, company ownership, government ownership, firm size, leverage, IND, ROA, ROE, and Tobin's Q). The tests applied to these variable correlations were non-parametric (Spearman's RHO Correlation Coefficient), and used nominal variables (Kruskal-Wallis). The analysis programme used was SPSS software; the SPSS programme is one of the most popular statistical software tools used in social science research (Miller et al., 2010).

This monograph comprises six chapters. Chapter 2 looks at the context of the study and its social structure, including its political, economic, and cultural background. Moreover, it details religious and cultural perspectives relating to gender, ethnicity, and age in the Saudi context. It also offers a brief historical background of listed companies in Saudi Arabia, and the legislation framework of the market. It goes on to explain the implicit statue of diversity and how this relates to the new corporate governance code. Finally, it looks at the objectives of Vision 2030 that relate to boardroom diversity.

Chapter 3 presents a literature review, focusing on corporate governance and its definitions and mechanisms. It looks at the boardroom mechanisms used to protect shareholders, including the composition of the boardroom, as well as previous studies that address these mechanisms (including those that examine selection and nomination, ownership, the role of the chairperson, and the structure of the boardroom). It then examines previous studies relating to boardroom diversity, which deal with the definitions of diversity and functional and demographic diversity types. The chapter also explores previous definitions and attributes of board diversity, and how these are connected to board effectiveness. Finally, the chapter reviews corporate governance and board diversity in MENA countries and in Saudi Arabia.

Chapter 4 outlines the theories used most frequently for examining boardroom diversity, as found in previous research. Chapter 5 presents the methodology and the empirical results of the research relating to each type of boardroom diversity examined, such as gender, nationality, qualification level, educational background, age, and experience. Also, it outlines the correlation matrix of each variable, and links the results with those of previous studies to provide informative illustrations in context.

Chapter 6 presents the conclusion and recommendations of the book. It reviews the research findings, and illustrates the contributions of the book. It also details the limitations of the research and suggests avenues for future research.

2 The Context of Saudi Arabia

2.1 Introduction

This chapter will outline the contextual background of the study. Saudi Arabia is the second largest country in the Middle East and North Africa (MENA) in terms of land mass, after Algeria, and is one of the biggest exporters of oil in the world. Saudi Arabia is a unique setting in terms of culture and society. This chapter will explore the social structure of Saudi Arabia in terms of the context of the study and will provide a general background of the political, economic, cultural, and family environment found in Saudi Arabia. The researcher will also explore how religion impacts on different types of diversity in the country. Religion plays an important role in Saudi society, driving the culture of Saudi Arabia. This chapter will explore how listed companies emerged over time in Saudi Arabia, how the corporate governance system operates in relation to the boardroom, and how this has impacted on diversity. The roll-out of Vision 2030 aims to implement significant changes to the Saudi business environment, and, therefore, the objectives and plans of this Vision will be discussed in relation to the context of this book, especially in terms of the changes that are due to take place. Lastly, the chapter will explore the changes in society that are taking place in Saudi Arabia.

2.2 Saudi Social Structure

Saudi Arabia is located in the south-west of Asia, and is one of the Middle Eastern countries. The land area of the country is about 2,250,000 square kilometres, and the total population of Saudi Arabia in 2021 was 34,110,821 (GASTAT, 2022). Riyadh is the capital city, which is located in the middle of the country, and the country is divided into thirteen geographical regions. The Makkah and Al-Madinah regions are significant in terms of importance because these areas are home to the two most Holy Mosques in Islam. More than a billion Muslims from around the world have travelled to Makkah to offer prayers. Makkah is recognised as being at the heart of Islam for most Muslims, and around twenty million Muslims visit Makkah each year for religious purposes (GASTAT, 2022). Islam is the country's religion, as well as the main driver of the country's legal system. The Islamic religion drives modern Saudi Arabian culture. According to Al-Saif (2019), it is important for researchers who study Saudi society to understand its social and religious structure and how this has impacted on political, economic, cultural, and family life in the country. Islam is intertwined with Saudi culture to a large extent, and, for Muslims, Islam offers a clear meaning for and a comprehensive picture of life.

https://doi.org/10.1515/9783110741735-002

2.2.1 Politics

The political path of the Kingdom of Saudi Arabia began in 1902 when King Abdul-Aziz Al Saud unified thirteen regions, which became the Kingdom of Saudi Arabia in 1932. Al Saud known as the father of the seven kings who have served afterwards (Saud, Faisal, Khaled, Fahd, Abdullah, and Salman). The King also acts as the Prime Minister of the country. According to Al-Saif (2019), one of the main commitments of the State is to legally integrate the principles of Islam into the social and cultural make-up of the country. This is to help preserve the cultural and moral values associated with Islam. In 2015, King Salman bin Abdul-Aziz Al Saud ascended the throne after his brother, King Abdullah, died.

For many years, the Kingdom undertook regular appointments of leadership positions to its ministries and authorities, but this approach has changed recently after some long-standing members of the senior royal family passed away. Traditionally, certain positions had been occupied by senior leaders. For example, Prince Saud Al Faisal was Minister of Foreign Affairs from 1975 to 2015. However, when he died, leaders in the country and Saudi Government departments were forced to readjust, and the structure of some ministries and departments have undergone change in recent years.

King Salman has made significant changes to some Government ministries and authorities, including combining, deleting and creating new ministries. However, the changes have not stopped at re-organisation. Decision making powers have now been given to the younger generation and women have been placed as leaders in some departments and ministries for the first time. One significant appointment made by the King was the appointment of Prince Mohammed bin Salman as the Crown Prince. People in the Kingdom have nicknamed Prince Mohammed the Prince of Youth (AlArabiya, 2017) because he was just 33 years old when he was appointed. He embodies the kind of youthful energy which is seen as appropriate for leading the ambitious national Vision 2030.

Another example of a change of approach was the appointment of Princess Reema bint Bandar Al Saud as the first female ambassador in the history of the Kingdom (Alves, 2019). Recently, in July 2022, for the first time, a woman (Al-Shayhana bint Saleh bin Abdullah Al-Azzaz) was appointed to a high board level in the Kingdom, as Deputy Secretary General of the Council of Ministers Court. Previously, women were not represented in the higher levels of Saudi Government. Furthermore, in 2013, the Government amended Article Three of Shura Council Law to enforce a 20% female quota to the highest government level boards[1] (Article Three, Shura Council Law, 2017). This amendment aimed to broaden the knowledge and expertise of the Shura Council

1 The Saudi Shura Council is equivalent to the UK Parliament.

boards. Thus, the Kingdom has recently undertaken changes in order to develop the country for a prosperous future.

2.2.2 Economics

Before discovering oil in the eastern region in 1932, the Kingdom depended on the yearly pilgrimage tax as its main source of income (McHale, 1980). The discovery of oil saw improvements in the Saudi economy and the development of different areas of the country. Further changes made in 1980 relating to the price of oil made a considerable difference to earnings on the foreign exchange, which exceeded the totals of Africa and the totals of South America (McHale, 1980). Since then, Saudi Arabia has been among the largest exporters of oil worldwide (OPEC, 2019). As a developing country, Saudi Arabia depends on oil as an essential source of economic income.

In 2016, the Saudi Arabian Gross Domestic Product (GDP) was valued at 644.940 billion USD, which is lower than its highest reaching point in 2014 of 756.35 billion USD (Trading Economics, 2019). However, the recent drop in oil prices globally is the main reason for the decline of GDP. This has also coincided with the implementation of sustainable development goals (SDGs) as outlined by the United Nations (UN) in 2015 (Un, 2020). In response, the Government of Saudi Arabia, under the leadership of King Salman and Crown Prince Mohammed bin Salman, launched its Vision 2030 in 2016, which aims to diversify the country's income (Vision 2030, 2017). The concept of thriving economics is one of the pillars of the Vision and is applicable to this book (see section 2.4 below on Vision 2030). At the end of 2018, Saudi Arabia still had the second-biggest oil reserves among OPEC members (OPEC, 2019). In 2021, Saudi Arabia reached its highest GDP of 833.54 USD Billion (Trading Economics, 2022); the source of income from oil revenue compared to non-oil revenue can be represented as the ratio of 6:4 (Darwish, 2021).

2.2.3 Culture

Saudi Arabian culture dates back over one million years, and archaeological evidence exists to prove the depth of this civilisation (SACM, 2017). The culture of Saudi Arabia is influenced by Islamic heritage. A study by Hill et al. (2015) explains that business in Saudi Arabia is conducted according to Islamic culture, which influences corporate governance. However, the Gulf states, which includes Saudi Arabia, all have different cultural, economic, and social environments, which differ from each other and from other nations (Alharbi, 2014). Tribal society and the Islamic religion drive variations between these countries and between the Gulf States and other countries.

Different scholars have previously studied the phenomenon of culture and have offered different definitions of culture, including the notable contributions of Hofstede and Ibn Khaldūn. Pribadi (2014) explains that Khaldūn's methodology seeks to identify social reality, and is a useful tool for trying to understand the social human being. Pribadi (2014) explains that Khaldūn is an Islamic academic, and perceives that Arabs are split into two main communities, namely the Bedouin and Hadar communities, and each community has its own cultural characters. A recent study by El-Kholei Ahmed (2019) describes how Khaldūn wanted to examine the history of the region as a way of understanding how religion and culture have emerged as central to understanding the Arab world. This understanding is essential in the context of this book, which seeks to holistically outline the basic concepts of Saudi Arabian culture and religion in relation to boardroom diversity.

The work of Geert Hofstede is also useful for understanding the cultural context of Saudi Arabia (Cassell and Blake, 2012); in particular, Saudi organisational culture was addressed by Hofstede in his analysis of cultural dimensions. Table 2.1 below provides a summary of Hofstede's cultural dimensions. The score of 80 for 'power distance' is high in the Saudi context. This means that there are inequalities of wealth and power within in the Saudi community (Cassell and Blake, 2012). For example, this means that in terms of discussions in the boardroom, key decision makers might remain silent when a less important person is talking, rather than giving feedback (Taylor and Butler, 2020). A study by Stanger et al. (2017) summarises in detail how the Saudi power hierarchy works (see Table 2.2). Furthermore, over time, Saudi society has grown to depend extensively on foreign technical labour (Idris, 2007); Al-Saif (2019) notes that, traditionally, agricultural and commercial occupations have enjoyed high status in Saudi Arabia, while craft occupations hold a lower status. Nowadays, the community places high esteem on Saudi Government employment (i.e., the civil service and the military). According to Al-Kibsi et al. (2015), 70% of Saudi Arabian citizens are employed in some way in the Saudi Government (public) sector.

Table 2.1: Hofstede's Cultural Dimensions for Saudi Arabia (Taylor and Butler, 2020; Cassell and Blake, 2012 p: 153, 154, 155, 156).

Power Distance (80)	**Individualism vs. Collectivism (38)**	**Masculinity vs. Femininity (52)**	**Uncertainty Avoidance (68)**
Inequality is acceptable.	We rather than I	Values good relationship with supervisors.	Risk averse.
Rigid/authoritative structural vertical hierarchies.	A focus on tradition.	Is caring/ compassionate.	Very formal business conduct with lots of rules and policies.
Centralised decision making.	Collaborative.	Favours small scale enterprises.	Needs and expects structure.

Table 2.1 (continued)

Power Distance (80)	Individualism vs. Collectivism (38)	Masculinity vs. Femininity (52)	Uncertainty Avoidance (68)
Respect for authority.	Success and position ascribed.	Values cooperation.	Fears change.
Large gaps in compensation, authority and respect.	Work for intrinsic rewards.	Values employment security.	Differences are avoided.
Fear of authority.	Time is in God's hands, and delays are the result of fate.		
Individuals in power are privileged.			

Table 2.2: Power Hierarchy in the Saudi Community (Stanger et al., 2017, p. 5).

The Country's Government
Religious Leaders
Tribal Authorities
Family Elders
Parents
Husband (for married women only)
Individuals

Saudi Arabia scores 38 for individualism versus collectivism, which means that the community is more collectivist and demands long-term loyalty to the group (e.g., the family and extended relatives etc.) (Taylor and Butler, 2020). This collectivist culture impacts on business organisation in that more emphasis is placed on the family and loyalty to a group in terms of recruitment and promotion (Idris, 2007). A study by Al.Harbi et al. (2017) argues this trend leads to the cultural issue known as *'Wasta'*, which results in unfair treatment in employment and performance evaluation. For example, a firm might employ less qualified family members rather than a more qualified employee. In this respect, Idris (2007) also notes that there are fewer terminations of employment for low performing employees, mainly because of their relationship with the employer. This trend is cultural, and is not one that prioritises efficiency.

For masculinity versus femininity, Saudi Arabia's score is 52, which reflects the division of roles among the genders (Taylor and Butler, 2020). This scores over an

average of 50.2 (Hofstede et al., 2010). This result reveals that employment is structured according to traditional gender roles. It is worth mentioning here that the segregation of females and males in the workplace is the most influential factor that determines how all organisations and institutions work in Saudi Arabia. Another point relating to gender is that women were unable to drive motor vehicles until a Royal Order by King Salman bin Abdulaziz changed this in September 2017. Furthermore, until recently, women were unable to travel without a guardian male, but this situation has recently changed too (Bbcnews, 2019).

For uncertainty avoidance, Saudi society ranks in at 68 on Hofstede's scale. This indicates that Saudi society has a low level of tolerance of uncertainty (Taylor and Butler, 2020). In this respect, rules, regulations, policies, and laws seek to reduce levels of uncertainty. Saudi society favours the involvement of the Government in all aspects of life, including in business. Cassell and Blake (2012) explain that this rigid system impacts on organisational productivity and the corporate environment, and accounts for a slower rate of privatisation in the country.

In relation to foreign nationals living and working in Saudi Arabia, the recent drive towards Saudi-ization has presented challenges, not only on a personal level, but on a corporate level. Saudi-ization enforces a quota of Saudi employees at all firms. This aspect of business life works well for Saudi citizens, in order to reduce unemployment, but, internationally, it is considered a barrier to foreign investment and expertise entering the country (World Investment Report, UNCTAD, 2017). This has been a cause for concern since Saudi Arabia became a member of the World Trade Organisation in 2005. This policy also has the potential to affect the country economically, by limiting foreign investment and expertise.

2.2.4 Family

The family is an essential element of Saudi society. According to Al-Kibsi et al. (2015), the family will need to play a significant role in driving change. In particular, the status of younger people and women must be raised in order to shift the economy in three areas: education and training, careers, and expenditure (Al-Kibsi et al., 2015). The family is the basis of Saudi society, as stated in the Saudi Basic Law (Article 9). Moreover, as stated above, Saudi society is collectivist and based on the group and the family. In terms of corporate governance, many relatives serve as board members. This is because the Saudis value strong social ties (Alrubaishi and Robson, 2019). The Islamic religion also encourages Muslims to communicate and value relationships with family members. A study by Alesina and Giuliano (2010) explains how important family ties are to the national economy, showing that family groups lead many companies, which influences the selection of boardroom members. Therefore, emphasis placed on the family might affect diversity and boardroom effectiveness in this unique social setting.

2.2.5 Religion and Diversity

The primary source of legislation in Saudi Arabia is the Islamic religion. According to the Saudi Arabian Basic Law of Governance, the constitution is formed from Quran, the Sunnah and the Hadith of the Prophet Mohammad. To some extent, religion drives individual behaviour in Saudi Arabia. Saudi Arabia is the birthplace of the Islamic religion, and is home to the two most holy mosques in Islam, which, every year, Muslims from around the world visit in pilgrimage. Islam has also been exported around the world. The Islamic religion influences culture and society in Saudi Arabia, and, therefore, examining how religion operates in Saudi Arabia in relation to the concept of diversity is essential to the context of this current project. The following sections will examine the Islamic view towards gender, ethnicity, and age.

2.2.5.1 Gender and the Islamic Religion

The subject of gender and Islam invites a complicated debate. According to Charrad (2011), scholars have recognised substantial variances concerning views on gender in Islam, depending on era and location, especially relating to women. Some scholars claim that Islam itself cannot be charged with the promotion of the inequality of women. This why some scholars have now shifted their focus to identifying how the legislations and cultures of different countries impact on gender ideology in societies (e.g., Doumato, 1992). Furthermore, there is disparity in scholarly interpretations of Islamic sources (i.e., the Quran and Sunnah) among different Muslims working across different eras (see Ahmed, 1992; Tucker, 1998; Esposito, 2001; Charrad, 2001; Keddie, 2012).

In Saudi Arabia, restrictions are placed on socialising between men and women, to conform to Islamic principles. These constraints divide opinion. Some think that inter-gender socialising should be prohibited, and that men and women should be separated at all times, except for family members. Others believe in following basic restrictions only. According to Sheikh Abdel-Aziz bin Baz (1912–1999), an important religious scholar in Saudi Arabia, even shaking the hand of the opposite gender should be prohibited, unless between close relatives (e.g., between uncles/aunts and grandmothers/fathers etc.). He also suggests that women should be well covered (they must wear a hijab) and should not try to 'impress a man' by wearing make-up and accessories. He also suggests that women should speak formally when they interact with men in a work setting, and avoid any actions that might lead to an informal relationship such as flirting. He notes that women talked to the Prophet Mohammad (peace be upon him) and his companions (*as-sahabah*) without violating Islam (Binbaz, 2020).

In practice, it is possible to adopt the above restrictions in the boardrooms of Saudi Arabia. For example, by prohibiting the shaking of hands, and placing enough physical distance between men and women. Under these conditions, the boardroom

could take advantage of the skills of different genders. It is possible that distance between genders might lead to more independent decisions being made in the boardroom. For example, according to Abdullah (2014), the presence of women on boards in Malaysia is positively associated with board independence.

Khadija (570–632), the wife of the Prophet Mohammed (peace be upon him) was a businesswoman who, at first, employed the Prophet as a worker (Sidani, 2005). Indeed, women participated in all social activities in the communities of early Islam, and their contributions were essential (Decker, 2019). Thus, the Islamic perspective values women's participation in different social areas, because they represent half of the community, as Allah (God) says in the Quran:

"We have created you male and female, and have made you nations and tribes that you may know one another. The noblest of you, in the sight of God, is the most righteous of you."[2]

﴿ يَا أَيُّهَا النَّاسُ إِنَّا خَلَقْنَاكُمْ مِنْ ذَكَرٍ وَأُنْثَى وَجَعَلْنَاكُمْ شُعُوبًا وَقَبَائِلَ لِتَعَارَفُوا إِنَّ أَكْرَمَكُمْ عِنْدَ اللَّهِ أَتْقَاكُمْ إِنَّ اللَّهَ عَلِيمٌ خَبِيرٌ ﴾.

Islam does not prevent women from working or doing business. However, cultural restrictions, lifestyle regulations, and/or economics act as barriers for women becoming involved in work life in Saudi Arabia. Ross (2008) argues that, in the Middle East, men dominate society, not only because of the Islamic religion, but because of economic dependency on the male dominated oil production sector; he suggests that the male dominated economics of oil production impacts on social structure. In Saudi Arabia, women have been working for many years as teachers and doctors, but they do not usually work in the political, legal and economic fields (Sidani, 2005). Saudi culture does not favour women working in the private sector because of the male dominated economic business structure, and the need to adhere to religious practices. Recently, these practices have changed dramatically, and now a woman can become, for example, a lawyer, and participate in most industry sectors.

2.2.5.2 Ethnicity and the Islamic Religion

Islam discourages ethnic discrimination and encourages relationships between people regardless of ethnic background. In Verse 13, taken from the Quran (as quoted previously), God explains that diversity in ethnicity is for the purpose of identity separation only. Moreover, in his final lesson, during his last pilgrimage, the Prophet Muhammad (peace by upon him) explains that no favours should be given to certain people just because of their ethnicity and background, because all people originated from Adam. He explains that people are favoured by God because of what they do in their life, and not due to their ethnic background. Islam prohibits differentiation between people

2 Al-Hujuraat, Verse 13.

because of their ethnicity and nationality (Danladi and Sule, 2019). The Prophet Mohammed (peace be upon him) says the following:

"O people, your Lord is one and your father Adam is one. There is no favour of an Arab over a foreigner, nor a foreigner over an Arab, and neither white skin over black skin, nor black skin over white skin, except by righteousness."[3]

قال الرسول ﷺ ﴿يَا أَيُّهَا النَّاسُ أَلَا إِنَّ رَبَّكُمْ وَاحِدٌ وَإِنَّ أَبَاكُمْ وَاحِدٌ أَلَا لَا فَضْلَ لِعَرَبِيٍّ عَلَى أَعْجَمِيٍّ وَلَا لِعَجَمِيٍّ عَلَى عَرَبِيٍّ وَلَا لِأَحْمَرَ عَلَى أَسْوَدَ وَلَا أَسْوَدَ عَلَى أَحْمَرَ إِلَّا بِالتَّقْوَى﴾

However, in spite of these words, religion has often been a source of conflict and distinction between races and nationalities, but avoiding conflict helps to build-up a society educationally and economically (Adetiba and Rahim, 2012). Previous studies show that diversity of nationality in business activities results in better financial results (e.g., Homroy and Soo, 2020). Also, at board level, previous studies show that diversity offers better ways of presenting information to management (Hashim et al., 2019). According to Islam, there should be no discrimination between nationalities and ethnicities. However, this principle does not always translate, because culture plays a role also (Salehi et al., 2019).

2.2.5.3 The Islamic Religion and the Elderly

The Islamic religion teaches that people must respect the elderly. In Islam, one's parents are the most important elderly relatives; and the Quran mentions this repeatedly. For example, a Muslim should not curse their parents for any reason, and they must always speak to them respectfully.

"And your Lord has decreed that you not worship except Him, and to parents, good treatment. Whether one or both of them reach old age [while] with you, say not to them [so much as], "uff," and do not repel them but speak to them a noble word."[4]

﴿۝ وَقَضَىٰ رَبُّكَ أَلَّا تَعْبُدُوا إِلَّا إِيَّاهُ وَبِالْوَالِدَيْنِ إِحْسَانًا ۚ إِمَّا يَبْلُغَنَّ عِندَكَ الْكِبَرَ أَحَدُهُمَا أَوْ كِلَاهُمَا فَلَا تَقُل لَّهُمَا أُفٍّ وَلَا تَنْهَرْهُمَا وَقُل لَّهُمَا قَوْلًا كَرِيمًا﴾

Esteem for the elderly is relevant in the context of this study because this principle relates to the demographic of age and experience in the boardroom. Some people argue that age is not associated with experience (e.g., de Freitas et al., 2010). Furthermore, age differences can impact on communication between younger and older people in the boardroom (Talavera et al., 2018). The attitudes and values prevailing towards older people can be useful to enhance social ties, because older people have experience and wisdom, Islam encourages the respect of older people generally, not just parents. The Prophet

3 Musnad Aḥmad 22978.

4 (Al-Israa, Verse 23).

Mohammed notes this, but also notes the rights of younger people too. The Prophet Mohammed (peace be upon him) says as follows:

"Anyone who does not show mercy to our young nor acknowledge the rights of our old people is not one of us."[5]

قال الرسول ﷺ ﴿ليس منَّا من لم يوقِّر كبيرَنا، ويرحَم صغيرَنا﴾

Previous research has acknowledged that building respect between younger and older executives can enhance the boardroom; Mahadeo et al. (2012) anticipates that respect between younger and older executives contributes towards enhancing dynamics in listed companies in Mauritius; this study recommends further in-depth research to prove this. However, encouraging social ties in the boardroom can lead to a culture of 'rubber-stamping' and reduce independence (Fink, 2005). A study by Nakpodia and Adegbite (2018) notes that the power of older people working in corporate governance in Nigeria can lead to them being exempt from liabilities and punishments. Also, some older boardroom members might not be grilled or questioned adequately, and this attitude might not be healthy for the board, because it can increase a culture of 'rubber-stamping' among younger directors who do not feel that they can stand up to the older group.

2.3 Saudi Arabian Listed Companies

2.3.1 Background

The Saudi stock market (*Tadawul*) is a newly developing stock market in comparison to more established stock markets, such as those based in London or New York. The Saudi stock market started informally in 1935, when the first Saudi share company was founded (Sulaiman, 2018). There was no regulation for share companies back then, and the stock market was regulated under Commercial Courts Law (Al-Baqmi, 2019) (see Table 2.3 which shows the historical timeline development of the Saudi stock market). The first Companies Law was issued in 1965, and renewed in 2015 (Al-Baqmi, 2019). However, there have been updates between these two periods. The Saudi stock market started to be monitored formally under Government supervision in 1984, by the Saudi Arabian Monetary Agency (SAMA) (Sulaiman, 2018).

The next step of development was when the Saudi stock market began to be monitored by the Saudi Capital Markets Authority (CMA) in 2004. There was increasing demand for trading shares, reaching its highest points record of 20,635 in February

5 Al-Mufrad, A.-A. *18 the Elderly (163), Chapter: The Excellence of the Older Person, English Translation: Book 18, Hadith 355* Online. Available: https://sunnah.com/adab/18.

2006 (Argaam, 2020). However, at the end of 2006 there was a market crash which sustained losses of 65%. At that time, the first Corporate Governance Code (CGC) was issued. In February 2007, the Saudi stock recorded around 8,000 level points. In the same year, the Government established the Saudi Stock Exchange (*Tadawu*l) as the sole entity responsible for securities trading (Tadawul, 2020a). Moreover, it followed the capital market laws of CMA. *Tadawul* continued to develop and the number of companies listed on it increased.

In 2015, the current stage of stock market development began. This saw the renewal of Companies Law, which was previously issued in 1965, as mentioned above. Also, in 2015 the Saudi stock market adopted the NASDAQ'S X-Stream INET system, which speeds up and increases trading quality, and it became more regulated. For example, the second CGC draft was issued 2016 and approved in 2017, with more rules than were previously seen in 2006. The Government is now targeting more foreign investors as part of the Vision 2030 scheme. Therefore, over the years, there have been many changes in terms of market quality, regulations, and inclusion with other indexes (e.g., the MSCI World Index). This has increased the flow of money into the Saudi markets.

Table 2.3: Timeline Development and Events of the Saudi Stock Market of Listed Companies.

Year	Events
1931	The legislation of shares companies in Saudi Arabia under Article 14 of the Commercial Courts Law, was promulgated by high order.
1935	The first shares company (Alarabi Cars).
1955	Six companies that sell shares on the market are in existence.
1956–1958	The monetary and financial crisis.
1965	The introduction of the first corporation law (including rules for shares companies).
1965	Seventeen companies that sell shares on the market are in existence.
1975	Fifty-four companies that sell shares on the market (including thirty-seven utilities companies from the Electric Companies group, were Government listed offering a guaranteed dividend of 15%).
1980	Forty-eight companies selling shares on the market are in existence. There was shrinkage in the number of listed companies by the end of the year after the market opened with ninety-eight listed companies. This was because electricity companies were merged from sixty separate companies into four big leading companies and six sub-companies.
1981	Fifty-two companies selling shares on the market are in existence.
1984	The formalisation of the Market into a stock market. The Government entrusts the Saudi Arabian Monetary Agency (SAMA) with the task of operating and regulating the daily markets, and they establish the Saudi Equity Registration Company to settle equity-related transactions through working banks.

Table 2.3 (continued)

Year	Events
1989	The listing of the Al-Rajhi Banking Corporation where the IPO amount was covered six more times.
1990	Computerised trading ESIS introduced.
1997	Markee added to IFC.
2000	Contract with the Canadian EFA to develop the market system to Realtime.
2003	Started trading on the Internet.
2003	Royal decree established the Capital Market Authority (CMA).
2004	The stock market moved its monitoring system from the SAMA to CMA by royal decree.
2006	There was a market crash that saw for 65% of its value wiped.
2006	The first Corporate Governance Code (CGC) was introduced (comprising five parts and nineteen articles).
2007	Establishment of the Saudi Stock Exchange Company (Tadawul).
2010	The CGC was amended (five parts and nineteen articles).
2012–2014	ISO 7001 introduced.
2015	NASDAQ'S X-Stream INET system introduced.
2015	New Corporate Law introduced.
2017	New CGC (twelve parts and ninety-eight articles) introduced.
2018	The FTSE Russell confirmed SA as an emerging market.
2019	Amended the CGC (12 Parts, 98 Articles)
2019	Inclusion in the MSCI World Index.
2019	Saudi Aramco IPO was the most valuable company in the world.
2020	One hundred and ninety-nine companies selling shares on the market in existence.
2021	Saudi exchange issues ESG disclosure guidelines for listed companies
2022	Saudi exchange launches TASI Islamic Index
2022	New Companies Law

Source from Tadawul, SAMA, CMA, and Argaam (Sulaiman, 2018; Al-Baqmi, 2019).

2.3.2 The Market Regulations Framework

The Saudi stock exchange (*Tadawul*) is a stock market moulded by regulations from different governmental agencies; see Figure 2.1. The Capital Market Authority (CMA) is the primary and direct supervisor of the stock exchange market (Capital Market

Authority (CMA), 2020). Its duty is to regulate (e.g., apply corporate governance), to protect, to develop, and to monitor the Market. The Saudi Arabian Monetary Authority (SAMA) is the national reserve bank system; it deals with regulations for the financial sector, such as banks, insurance firms, creditors, and investment fund companies etc. and SAMA also monitors credit information through the Saudi Credit Bureau (SIMAH) (SAMA, 2020).

The Ministry of Commerce (MC) is responsible for the private sector in general and it implements company law (MC, 2020). The Ministry of Investment (MISA) is in charge of formalising the business investment environment (MISA, 2020) by evaluating investment in the Kingdom and mitigating barriers faced by the investor. The Saudi Organization for Certified Public Accountants (SOCPA) works with the MCI to develop the auditing and accounting sector; it is responsible for the auditing offices that undertake auditing work for listed companies and accounting standards for financial reports (e.g., adopting IFRS) (SOCPA, 2020). The General Authority of Zakat and Tax (GAZT) is supervised under the Ministry of Finance; it is in charge of regulating, evaluating, and collecting the Islamic tax (Zakat) and corporation tax (GAZT, 2020).

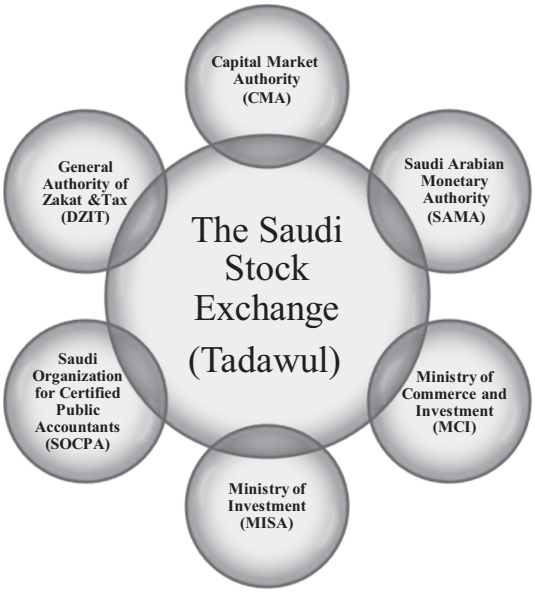

Figure 2.1: Market Regulations Framework (Tadawul, 2020b).

2.3.3 Boardroom Diversity and the New Corporate Governance Code (CGC)

Enhancement of the boardroom and its mechanisms are the main objectives of the Saudi CGC (Capital Market Authority (CMA), 2019). The CGC tries to make sure that

boards can make the right decisions and protect stakeholder rights by putting in place a general framework that ensures companies work with different stakeholders. Shareholders' protection is a critical part of the work of the stakeholders' group. The CGC obligates boards to work on the behalf of shareholders and deal with shareholders equally and fairly (Article 4). Directors of the boardroom should provide shareholders with accurate and reliable information to allow them to make correct decisions (Articles 6 and 7). Therefore, a board of directors is an essential mechanism of corporate governance, because it is the link and the channel between the company and its stakeholders.

The chairperson of the board plays a vital role in fulfilling the communications role of the boardroom to others (e.g., shareholders) (see Article 27). One of the main duties of the chairperson is to ensure that contact with shareholders is maintained, and that the opinions of shareholders are heard by board members for discussion. The chairperson must create a meeting agenda to ensure that issues raised by shareholders are discussed by different members of the board and acted on. Furthermore, regular meetings must be set up with non-executive directors (NEDs) or independent directors (IDs). The chairperson is usually the best placed person to identify direct and indirect issues of interest for the attention of board members. Thus, leading the boardroom and effectively ensuring it completes its tasks, as well as maintaining effective communication with shareholders, are the primary duties of the chairperson.

Article 21 deals with board responsibilities, including those relating to shareholders and maximizing company wealth value. Also, it allows for the delegation of parts of its powers, but not all authority, to individual committees or third parties. Article 22 deals with the practical concerns of the board in terms of: planning, supervision, review, asset risk, internal control, budgeting, monitoring, ensuring accurate reporting, communicating with stakeholders, setting out rules (including conflict of interest rules), and shareholders' recommendations. The tasks that the board carries out are not easy. As a result, board member competence is vital to carry out these responsibilities.

The board should provide information about the nomination of board members (Article 8) and should give details about how relevant each member is to the board. This helps shareholders make the right decisions when they are nominating board members in the general assembly. Board structure in terms of size, experience, ability, knowledge, and independence should be relevant to the company's size and activities, as noted in Articles 16 to 18. For example, if a company's main business is selling women's products, or women make up at least half of the firm's customers, then a gender mix should be represented in the structure of the boardroom, because this is representative of company activities. Similarly, for high tech companies, youth is essential to a company's activities, because this represents the future of the industry.

The CGC places emphasis on the experience and education of board members, making both conditions for selection. Furthermore, according to CGC law, the experience and education of board members must be disclosed before the nomination of board members, and yearly, in the board reports (see Articles 8 and 90). This reveals that the CGC favour diversity of experience and education (Articles 28/2 and 41/d). However, the CGC does not mention any other types of diversity, even though it is explicit with regard to experience and education. This might be because regulators do not have a problem with gender, and expect different genders to be represented in the boardroom. However, gender diversity is not mandatory in Saudi Arabia (as it is in other countries) in the boardroom or elsewhere; instead, decisions about gender diversity are left for each company to decide.

Saudi CGC law suggests that some positions require a specific background and a certain number of years of experience. However, this ignores the importance of other employment positions. For example, the Secretary of the Board is usually required to have a background in law, finance, accounting, or management, and have at least a bachelor's degree (Article 38), with no less than three to five years of work experience. Furthermore, members of the audit committee are required to have an accounting and finance background. However, members of the remuneration and nomination committee do not need a human resources (HR) background, even though their duties are to select, compensate, and assess directors, among other obligations (Articles 60 to 69) that demand a HR background. On the other hand, the assessment of board members is listed as guidance rather than something that is compulsory (Article 41). It is crucial to assess board members in order to eliminate bad practices (e.g., 'rubber stamping'). Doing this might increase director turnover in Saudi Arabia's boardrooms, and allow younger directors and female directors to become board members (see Griffin et al., 2017).

2.4 The Saudi Vision 2030

The Vision 2030 was launched in 2016 in three pillars. It proposes a revolutionary plan for the country on different levels (see Figure 2.2). The Vision 2030 builds on three main pillars; a vibrant society, a thriving economy, and an ambitious nation (Strategic Objectives Vision 2030, 2018). These three pillars also comprise overarching objectives, branch objectives, and strategic objectives. The overarching objectives total six main objectives (two objectives for each pillar), and the branch objectives are made up of twenty-seven objectives that contain more detail than the overarching objectives. The strategic objectives comprise ninety-six detailed objectives, of which twenty-seven objectives deal with the achievement of plans and development.

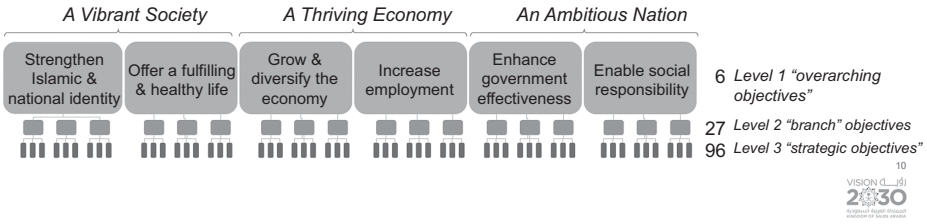

Figure 2.2: Strategic Objectives Vision 2030 (2018, p11).

The Vision 2030 is broad, and this is why it is divided into pillars and objectives. This study will focus on the pillars and objectives relevant to the research context. The thriving economy pillar is the main pillar that relates to the goals of this book. Focus will also be placed on two main objectives out of the six first level objectives namely: number three (which relates to growing and diversifying the economy), and number four (which relates to increasing employment). Both these goals have economic elements relating to developing the country's income and human capital. Thus, the following sections will assess both objectives individually, as well as focussing on second and third level objectives.

To achieve Vision 2030, thirteen different programmes have been established, known as Vision Realisation Programs (VRPs). These programmes are structured like committees, each with a programme chairman. The duties of the chairmen are to work on the allocated direct and indirect objectives and to develop initiatives that move towards achieving the objectives (see Figure 2.3). Each VRP is allocated key performance indicators (KPI's) to track the allocated objectives. Monitoring should also take place, including tracing indicators, such as progression, on macro-economic progress as a whole, and looking at whether or not the programme is targeting its allocated objectives.

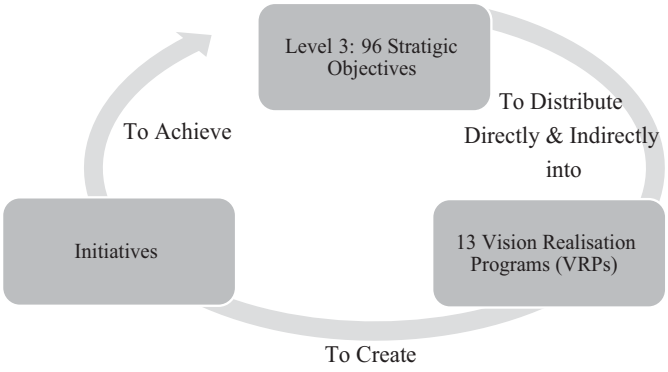

Figure 2.3: The Vision 2030 Achievement Plan.

2.4.1 Growing and Diversifying the Economy

The Saudi economy is among the top twenty economies in the world. It has experienced an average of 4% annual growth over the past twenty-five years (Vision 2030, 2017). However, for a more sustainable future, it needs to diversify, and not depend solely on oil income. To achieve its goal the Government has developed seven branch objectives (Strategic Objectives Vision 2030, 2018). Objective number one is to grow the private sector, and number six is to further integrate the Saudi Economy regionally and globally. These objectives are relevant, here, because they link to the operation of corporations in general (see Table 2.4).

Good corporate governance can help lead to the speeding up of slow economic growth (Morck et al., 2004). Corporate boards work as an internal mechanism, setting up strategic plans for corporations, and contributing to the direction of corporations. Therefore, firms play an essential role in the strategic economic vision. For example, boardroom diversity could have an impact on future economic advantage (Lopes and Ferraz, 2016).

In terms of *growing the private sector*, this objective comprises seven different strategic objectives, but only two relate to corporations which are: *to ensure the formation of an advanced capital market* (number 3.1.4) and *to attract foreign direct investment* (number (3.1.6). Development of the capital market (for example listed companies) is one objective that is delegated to the Financial Sector Development Programme (FSDP, 2018). It is a key macro-economic objective, which allows for more investment and diversified funding tools into the capital market. Attracting foreign investment and funding is another key objective, which is designed to expand the capital market. This objective is delegated to a different programme, known as the Strategic Partnerships Programme, which has not yet published a report. However, according to the FSDP (2018) Report, one crucial target for developing the capital market is to attract foreign investment. Therefore, this objective is indirectly related to the Financial Sector Development Programme (Strategic Objectives Vision 2030, 2018).

The FSDP (2018) has translated each of their objectives into initiatives. One of the initiatives for developing the capital market and attracting foreign investment is to '*assess the feasibility of establishing an independent regulatory structure to oversee public company audits*' (FSDP, 2018 p: 50). This means that governance mechanisms (to regulate auditors) must be improved to achieve investor confidence. It is only by providing quality information to investors that it is possible to reduce investment risks, and promote more transparency. This initiative will be led by the Capital Market Authority (CMA).

Initiatives designed exclusively to improve corporate governance mechanisms might not be enough to help develop the capital market and attract foreign investment. The corporate governance of other elements, such as investor rights and board members etc. is crucial for achieving all the objectives of Vision 2030. A study by Das (2014), which details samples collected from across thirty-seven countries, finds

that fund managers prefer to invest in foreign companies that have robust governance systems, especially those with good boardroom features and independent auditors. Moreover, Das (2014) highlights the importance of shareholders rights on a country level for attracting potential foreign investors.

According to Kim et al. (2011) enhanced corporate governance promotes the development of investment and the stock market, and this is related to enhanced macro-economic growth. Moreover, to attract capital investment, it is necessary to enhance firm performance and reduce investor risk, and this requires good governance practices (Heenetigala and Armstrong, 2012). This book looks at board member diversity as an internal mechanism to enhance corporate governance and gain investor trust.

2.4.2 Integrating the Saudi Economy Regionally and Globally (Objective Number 3.6)

The integration of the Saudi economy is a branch objective that has three different strategic goals under the Strategic Partnerships Programme. This goal aims to achieve economic synergy between Saudi Arabia and other regional Gulf countries (GCC) as well as the global economy (SSP, 2020). It is by making partnerships and deals, and capturing new opportunities, that it is possible to build relationships locally and internationally. This is an essential goal that corresponds with the goal of attracting foreign investment and keeping up with global economic trends. This programme has not yet made progress, but will be relevant to the transformation of the Saudi economy in general.

Table 2.4: Direct and Indirect Programmes Allocated to Relevant Strategic Objectives.[6](1)

Level 1 – Overarching Objectives	Level 2 – Branch Objectives	Level 3 – Strategic Objectives	Vision Realisation Programmes (VRP)
3 Grow and Diversify the Economy.	3.1 Grow the contribution of the private sector in the economy.	3.1.4 Ensure the formation of an advanced capital market.	Financial Sector Development Programme (direct). National Industrial Development and Logistics Programme (indirect). Fiscal Balance Programme (indirect).

6 Strategic Objectives Vision 2030 2018. Saudi Arabia Vision 2030 Strategic Objectives and Vision Realization Programs Overview.

Table 2.4 (continued)

Level 1 – Overarching Objectives	Level 2 – Branch Objectives	Level 3 – Strategic Objectives	Vision Realisation Programmes (VRP)
		3.1.6 Attract foreign direct investment.	Privatisation Programme (indirect). Strategic Partnerships Programme (direct). Public Investment Fund Programme (indirect). National Industrial Development and Logistics Programme (indirect). Financial Sector Development Programme (indirect).
	3.6 Further integrate the Saudi economy regionally and globally.	3.6.1 Push forward the GCC integration agenda. 3.6.2 Develop economic ties beyond the GCC. 3.6.3 Develop economic ties with global partners.	Financial Sector Development Programme (indirect). Strategic Partnerships Programme (direct). Public Investment Fund Programme (indirect). National Industrial Development and Logistics Programme (indirect). National Companies Promotion Programme (indirect).

2.4.3 Increasing Employment

Increasing employment is the second goal relating to the thriving economy pillar, and it aims to develop human capital in the country (Vision 2030, 2017). This goal reveals the importance of developing human capital in education, skills, talent, and equal opportunities to drive the vision of success. It is an overarching objective comprised of four different branch objectives (Strategic Objectives Vision 2030, 2018). The first objective is to focus on the educational system in general, and to develop human capital education to keep up with the job market. The second objective is to concentrate on equal opportunities for the young, for women, and for those with disabilities. The third objective concerns generating more jobs from different organisations operating in the market (e.g., SMEs, family businesses, and entrepreneurship). The fourth objective is to attract foreign talent in order to benefit from outside experience and knowledge sharing with Saudis. The following section will look at these objectives as they relate to the context of this book.

2.4.3.1 Equal Entry into Jobs (Objective Number 4.2)

2.4.3.1.1 Preparing the Younger Generation for the Market

This branch objective has three strategic goals that aim to prepare young people and encourage corresponding entry into the workforce for women and those with disabilities. Developing younger people for the jobs market is an essential element for future sustainability. It is one of the strategic targets of the National Character Enrichment Programme NCEP (see Table 2.5). The purpose of the programme is to promote Saudi Arabia's reputation internationally by empowering its citizens overall (Strategic Objectives Vision 2030, 2018). This can be done by enhancing generational identity, national and Islamic values, personality, and mental attitude. These elements will work to influence future hopes and prosperity, and this will impact on the nation positively in general, and from a political, economic, and moral point of view. However, the programme leaders have not yet published plans relating to initiatives for the young (NCEP, 2020).

Table 2.5: Direct and Indirect Programmes Allocated to Relevant Strategic Objectives.[7] (2)

Level 1 – Overarching Objectives	Level 2 – Branch Objectives	Level 3 – Strategic Objectives	Vision Realisation Programmes
4 Increase employment.	4.2 Ensure equal access to job opportunities.	4.2.1 Improve the readiness of youth to enter the labour market.	National Character Enrichment Programme (NCEP) (direct).
		4.2.2 Increase women's participation in the labour market.	National Transformation Programme (NTP) (direct).
	4.4 Attract relevant foreign talent to the economy.	4.4.1 Improve living conditions for expertise.	National Transformation Programme (NTP) (direct). National Character Enrichment Programme (indirect). Lifestyle Improvement Programme (indirect).
		4.4.2 Improve working conditions for expertise.	

7 Strategic Objectives Vision 2030 (2018). Saudi Arabia Vision 2030 Strategic Objectives and Vision Realization Programs Overview.

Table 2.5 (continued)

Level 1 – Overarching Objectives	Level 2 – Branch Objectives	Level 3 – Strategic Objectives	Vision Realisation Programmes
		4.4.3 Source relevant foreign talent effectively.	National Transformation Programme (NTP) (direct). Strategic Partnerships Programme (indirect). Public Investment Fund Programme (indirect). National Character Enrichment Programme. (indirect). Lifestyle Improvement Programme (indirect).

2.4.3.1.2 Women's Empowerment

Increasing the number of women in the workplace is a strategic objective designed to achieve equal opportunities, and it is one of the goals of the National Transformation Programme. The programme includes ten initiatives to increase women's participation in the workplace (see Figure 2.4). These initiatives include women taking on leadership positions. For instance, the Government has started to hire women in top management positions, such as Ambassador and Vice-Minister for the first time. This might impact on hiring trends in the private sector. Recently, a woman has been elected for the first time as a CEO of a financial listed company.

AlRabiah and AlHadithi (2018) suggest that one idea for promoting female leadership in Government sectors in Saudi Arabia is to prove their capabilities to society as a whole, so as to empower other women. These findings imply that the involvement of women has originated from a willingness to change and develop the community. This shows how important it is for the Government to step forward and hire more women in leadership positions.

The central reason for involving more women in leadership positions is to train and develop their skills. AlRabiah and AlHadithi (2018) explain that, at present, preparations for women entering into leadership positions are weak, and there is a shortage of written procedures for leadership. Although the new initiatives aim to increase the number of women taking up leadership positions, they ignore a lack of written procedures. Salih and Al-Dulaimi (2017) suggest that one of the best ways of boosting women's leadership practices is to compile a written system of best experiences. This might lead to an enhancement of training and the development of skills (Salih and Al-Dulaimi, 2017; AlRabiah and AlHadithi, 2018).

The new awareness of the empowerment of women in the workplace is an essential initiative which will increase the number of women in the workforce. However,

there are cultural, religious, and community barriers in this respect that need to be eliminated (Hodges, 2017). AlRabiah and AlHadithi (2018) suggest that awareness of this issue could be facilitated through conferences, media, and showcasing successful women leaders. These different channels will enhance the abilities of women workers and the number of women entering into the labour market.

Improving equality rules for recruiting women is also a crucial way of enhancing hiring mechanisms, but currently HR mechanisms do not offer much detail on how to improve the situation. However, facilitating existing standards could prove to be a trap that prevents women entering into leadership positions, but there are also dangers in writing new standards (AlRabiah and AlHadithi, 2018). For example, employment conditions such as experience, achievements and skills are needed for boardroom membership. However, some believe that human resources should be based on the development of talent to help create a non-discriminatory environment (Hodges, 2017). Thus, a review of regulations inside of an organisation (by HR) is essential for acquiring more female talent.

A decision recently made by the Government was to allow women to drive in Saudi Arabia, including being able to drive alone. This decision has eased problems associated with transport for both men and women. This initiative will also help more women access the workforce, and it will go far to change cultural attitudes towards women. These new rules mean that women can travel independently by car, which is an indication that the Government is taking steps towards empowering women in Saudi Arabia. Indeed, the Islamic religion has nothing to do with women driving (BBC, 2018), the decision not to allow women to drive until recently was mainly based on cultural attitudes in Saudi Arabia about women travelling alone (see Dar al Iftaa Al Missriyyah, 2020). However, reversing this position has taken pressure off the Government.

Lastly, boosting the number of tele-workers, introducing flexible work, and equipping the workplace with more childcare services will enable more women to enter the jobs market. These measures will remove some of the barriers women face that prevent them from working. For example, flexible work and working hours can reduce employment turnover and promote work comfort (Shanmugam Merlin and Agarwal, 2019). Consequently, these measures will increase the participation of women at work, which will lead to women gaining more work experience. The quality of work could also increase as job satisfaction is raised (Ruppanner et al., 2018). Acquiring new skills and experience will grow into access to leadership and management positions for women.

2.4.3.2 Attracting Appropriate Foreign Expertise (Objective Number 4.4)

There are three main objectives relating to bringing in external expertise. Firstly, improving the living environment for foreign workers is essential, so that experts coming in from outside of the country can enjoy living and working in Saudi Arabia

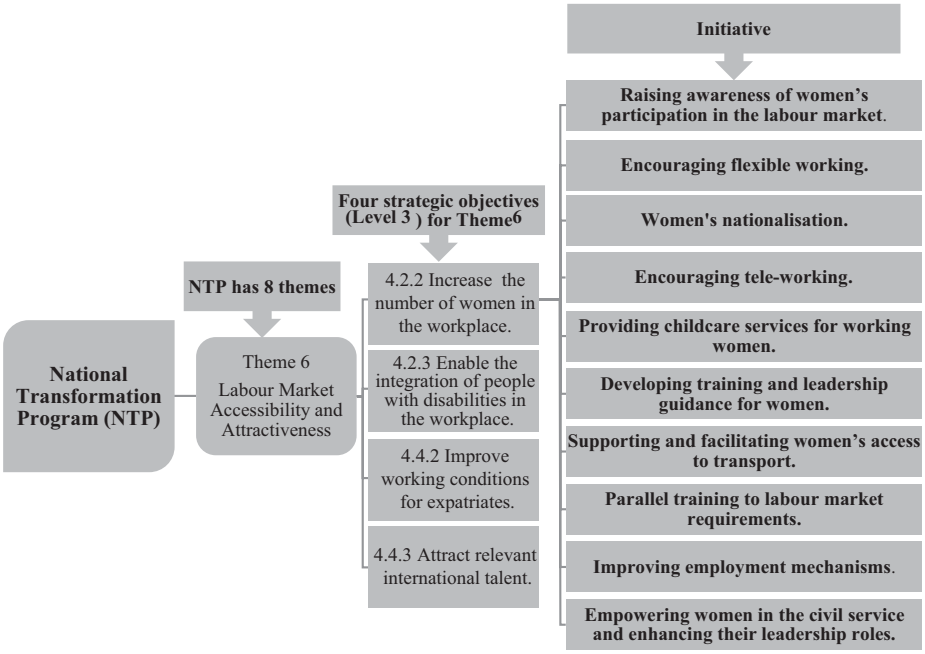

Figure 2.4: NTP and Initiatives for Women.[8]

and become more engaged in society. In this respect, six initiatives have been developed to achieve this objective (see Figure 2.5). The objectives aim to boost living quality in Saudi Arabia, promote a respect for cultural differences, and integrate expert foreigners and their families into Saudi society.

According to the GTCI Index (2020), Saudi Arabia ranks 42nd out of 132 countries relating to the quality of life experienced by outside talent. This is one of the components used to measure the attractiveness of different nations to global talent. The NTP is an indicator of global ranking for living conditions, but it does not give any other information (NTP, 2018). It reports that Saudi Arabia ranked 61st in 2016, and Saudi Arabia sought to achieve 50th place by 2020. If we look at the Global Talents Competitiveness Index (GTCI) for the years 2015–2016, Saudi Arabia ranked 28th in the 'retain' category (GTCI Index, 2020). Thus, it might be better to provide details of the actual indicator that NTP relies on, or look at the GTCI Index to track improved lifestyle for talent in the country.

8 Ntp 2018. National Transformation Program | Saudi Vision 2030.

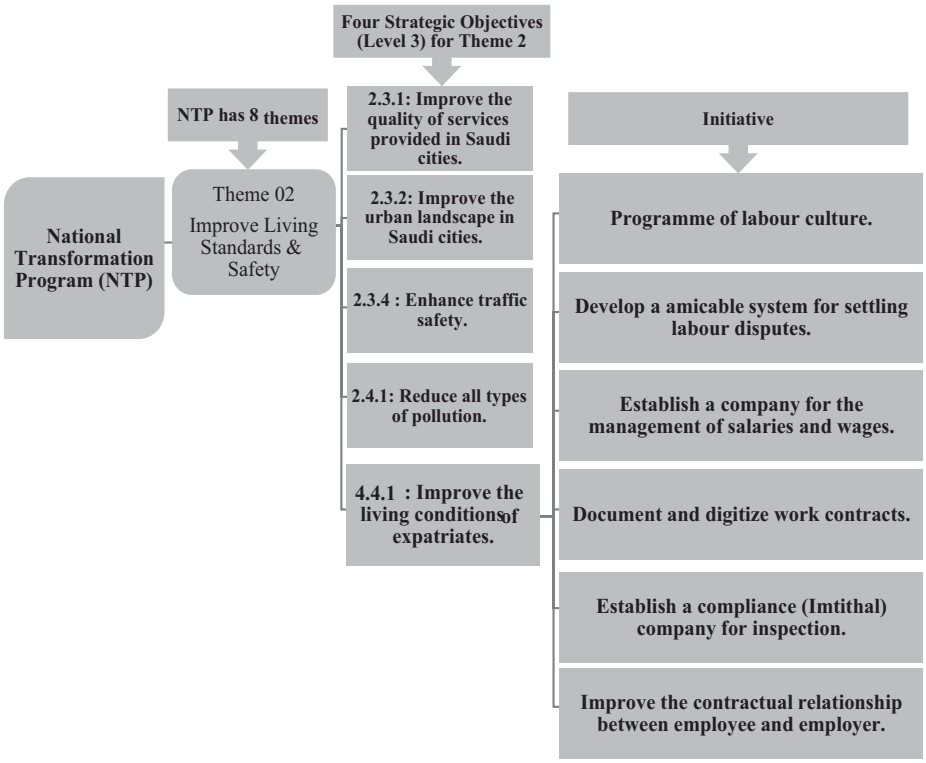

Figure 2.5: Initiatives for Improving Living Quality for Foreign Expertise.[9]

The second objective relates to all workers and professions in general. It deals with international employment protection, and privileges to boost the work environment. Seven initiatives have been developed to achieve this goal (see Figure 2.6). For example, creating a suitable international labour organisation (ILO), and ratifying the number of conventions from sixteen to twenty in 2020 (NTP, 2018). These achievements would lead to an increase in the right workers being employed, it would help to shield workers in Saudi work settings, and make the country an attractive atmosphere for foreign talent and workers. Furthermore, improving these elements might lead to more foreign investment (see Sornarajah, 2017).

Three initiatives have been designed for achieving the third objective of attracting more professional talent into the workforce. These efforts can be encouraged by facilitating more convenient living in the Kingdom. For instance, residency cards enable workers to reside in a country for some time without having to apply for a visa, like the 'green card' in the US. Recently, the Minister of Labour launched the initial stages

9 Ibid.

of the 'gold card', which can be used to reside for a maximum of thirty two months for work purposes (Arab News, 2019).

The Vision 2030 plan seeks to develop an electronic platform to speed up recruitment procedures. This achievement would help individual talent to move up between different levels in a more manageable way. Also, it could help improve the quality of foreign talent working in the country, thus, promoting Saudi's GTCI ranking. Saudi Arabia ranked 42 out of 118 countries in 2017, and in 2020, it ranked 40 out of 132 countries (GTCI Index, 2020). The GTCI has six different pillars: to enable, to attract, to grow, to retain, to have VT skills, and to have GK skills. Saudi Arabia scored in each component as follows: 56.97, 56.14, 45.61, 59.15, 57.08, and 33.97 respectively. Nevertheless, each pillar includes some component of measures which a country has to work on to improve, and these measures work to enhance classification, particularly for categories where a weak rating is scored.

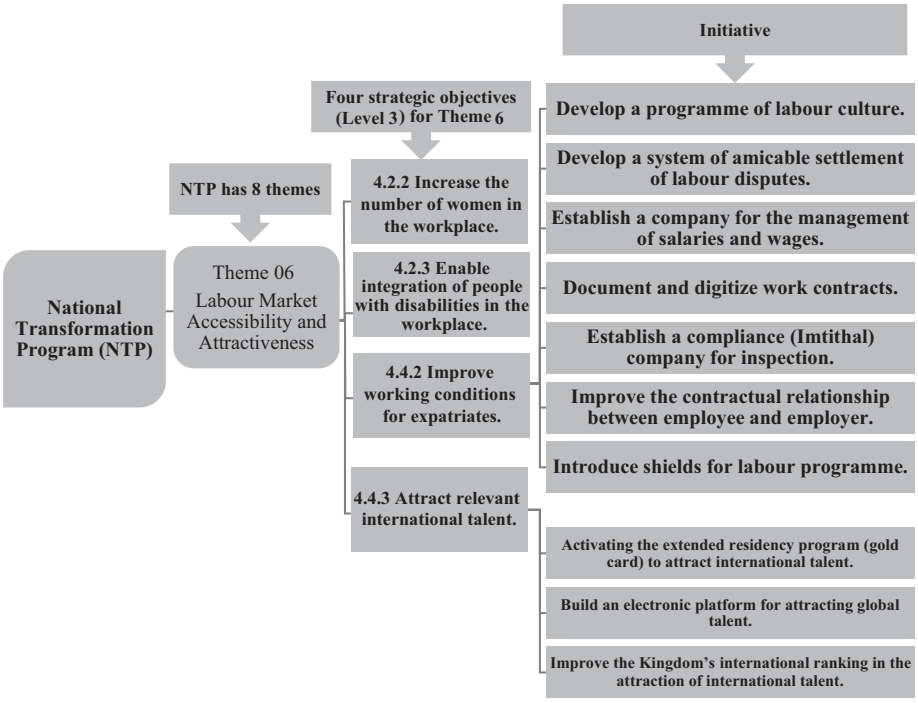

Figure 2.6: Initiatives to Improve Working Conditions for Foreign Workers and Attracting International Expertise.[10]

10 Ibid.

2.5 New Changes to Saudi Arabia's Social Structure

Social change is normal and happens in all societies (Tabul, 2012). However, the speed of change, the scale of change, and the implications these elements have, are the things that make a difference to whether change is successful. Saudi Arabia has undergone tremendous change over the few past years, since the announcement of the Vision 2030. These changes have impacted on different parts of society. The main change that has made an impact is economic reform. The Government seeks to no longer depend on oil as its main source of income, and, in this spirit, citizens might have to gradually rely less on the Government to provide everything they need (Young, 2016). For example, value-added tax (VAT) has been introduced and energy support has been removed. According to the Crown Prince, who is leading the ambitious Vision 2030, Saudis should begin to think like their investors, and in this way the Government might be able to build a fertile environment and opportunities for investment (e.g., privatisation, and the reform of regulations).

The empowerment of women is another crucial change that has taken place in Saudi society, and this has impacted on both the social and economic spheres significantly, because women represent half of society. The country has become more open to providing opportunities for women to go to work, and this has had an effect on the community which it is not used to (Al-Saif, 2019). In terms of the economy, the country decided to let go the work services of more than a million foreigners and replace them with Saudi women workers. Nowadays, it is possible to see Saudi women working in more professions; their working life is no longer limited to certain specific professions (e.g., teachers and doctors, etc.). This means that women have required support to help them qualify to enter the labour market and contribute to the economy. In this respect the nation has overcome obstacles that have prevented women from employment for many years. Indeed, one of the most valuable decisions taken by the Government was to allow women to drive.

Furthermore, the Government aims to reduce levels of religious bigotry, and return to the kind of Islamic moderation that was practised before 1979. This idea was championed by the Crown Prince at a future investment conference, and is the key to the success of the changes that are planned to take place (BBC News, 2020). However, according to Islam and Khatun (2015), the word 'moderation' has different meanings in eastern and western countries. The West sees moderation as a practical process, such as operating in terms of democratic politics, for example. However, in the East and from an Islamic perspective, the meaning of word is not limited to politics or other single subjects, but encompasses all of life's characteristics. For example, it refers to lowering the firm authority of the religious police (Young, 2016). The Government has also opened up the country for tourism, instead of just religious tourism only. Further, permission to open up cinemas and hold some concerts has been given. These changes will influence people's beliefs, their daily life, and social entertaining.

Zamil (2010) argues that the elements that contribute to the success of social change include: eliminating discrimination, controlling the speed of change by using planning and direction, and creating social harmony within society so people are capable of facing change. These elements appear in some of the steps the Government are taking as part of the Vision 2030. Moreover, the Government has made some progress towards facilitating change through the enactment of laws (e.g., racial discrimination and harassment laws). The steps taken are not limited to enacting change, but they also work to remove barriers to social change (e.g., allowing women to drive).

The efforts taken by the Government seek to shift society to create a better nation. Some of the changes will take more time to bear fruit, whilst some will create an impact quickly. These reforms open up the question of how change will affect board diversity in listed companies. For instance, will attitudes towards women and the younger generation change in relation to serving on boards? It is valuable to seek to learn how these new changes to society might increase boardroom diversity. Finally, the potential of Vision 2030 seeks to impact on boardroom diversity in Saudi Arabia.

2.6 Summary

The previous sections of this chapter have outlined background details about Saudi Arabian society and culture. It has explained that in recent years changes have taken place in the country as a whole. These shifts can be observed in different social structure areas. The changes taking place are fast paced, and include changes in politics, economics, culture, and the family environment in the Kingdom. This chapter has touched on how these changes might drive boardroom diversity. These drivers include religion, regulations, and the Vision 2030. Lastly, it has showed how the speed of transformation in society might lead to an increase in boardroom diversity.

3 Literature Review

3.1 Introduction

This chapter reviews previous relevant research about corporate governance and the boardroom as it works as a principal mechanism of corporate governance. It will examine previous research undertaken about the role of the boardroom, directors' duties, sub-committees, and how the board should work to protect shareholder interests. It will also look at boardroom structure, and the selection and nomination of directors, as well as reviewing the impact of ownership, and that of the chairperson on the boardroom. It will examine previous research undertaken about boardroom diversity in context; this part will review previous research relating to the diversity types chosen for exploration. The chapter will also explore previous studies relating to boardroom diversity, boardroom effectiveness, and different mechanisms of effectiveness will be identified. Organisational performance and how this relates to boardroom effectiveness, as well as diversity, will also be assessed. Gaps in previous research will be identified, and an outline of the importance of the current context will be presented. Lastly, background information about board diversity and board effectiveness in the Middle East and in North African (MENA) countries, including in Saudi Arabia, will be given.

3.2 Corporate Governance (CG)

3.2.1 Definition and Background

There is no single definition of corporate governance (CG). However, as noted by Garratt (2017, p. 4) some concepts of corporate governance were first seen over three thousand years ago in Western culture, and the word "governance" is derived from the Greek word *Kubernetes,* meaning "steersman of the ship". The term "corporate governance" has a dual and linked meaning that alludes to providing direction for the future and the prudent control of an organisation (Garratt, 2017, p. 4). A recent study by Shah and Napier (2019) suggests that the concept of corporate governance should be explored more widely, rather than through the narrow lens of economics (e.g., agency theory, for example), to include the political environment etc. The aforementioned study raises the question of why the term "corporate governance" is used rather than the terms "corporate direction", "court of governors" or "board of directors"; it is because the concept relates to how something is managed by a group of people rather just by one governor (Shah and Napier, 2019, p. 338). This argument illustrates how the board of directors is an essential mechanism for the oversight of corporations on behalf of shareholders in particular, and stakeholders in general.

https://doi.org/10.1515/9783110741735-003

Walker (2009, p. 23) defines CG as follows: "The role of corporate governance is to protect and advance the interests of shareholders through setting the strategic direction of a company and appointing and monitoring capable management to achieve this." It is notable that this definition by Walker mainly concerns the protection of shareholders. However, the role of CG is much broader than this. For instance, creditors, employees, and other stakeholders all stand to benefit from good corporate governance. In this respect, Walker's definition misses an important aspect of corporate governance, which is stakeholder interests relating to business activity.

Another definition by Solomon (2021, p. 7) is presented thus: "Corporate governance is the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity." Solomon focuses attention on all stakeholders, as well as the social aspects relating to business activities. This definition is broader than the previous definition offered by Walker. It covers all businesses and social environments, which makes it better than Walker's definition. However, Solomon's definition misses the importance of the priorities of different stakeholders (e.g., shareholders, creditors, employees, and other stakeholders). Shareholders have priority over creditors, and creditors might have priority over employees, and so on, depending on context.

According to Rezaee (2009), CG has two main goals, namely, value creation and protection. Value creation relates to enhancing shareholders' profits by using strategy and sustainability. Value protection concentrates on using accountability to protect shareholders and other stakeholders' interests by managing and monitoring the firm. It is hard for a firm to act in the interests of all stakeholders at the same time. This is why Rezaee (2009) divides corporate stakeholders into three tiers: shareholders, creditors, and other stakeholders. Therefore, any CG system might be better when it acts on behalf of the shareholders to promote value creation and protection as a first priority, and then to protect other stakeholders and social interests at a second stage. Shareholders are the most important element of stakeholder layers, because they own the company and can impact indirectly on the CG system.

3.2.2 Corporate Governance Mechanisms

The mechanisms of CG are various, and scholars do not agree on the characteristics of these tools (Jensen, 1993). However, Cadbury (1992, p. 14) offers a basic definition of corporate governance as, "the system by which companies are directed and controlled." Furthermore, it can be argued that the mechanisms of CG are anything that contributes to the direction and control of the company. Moreover, as CG develops, CG mechanisms improve too. For example, recent improvements in CG relate to social and environmental elements (see, IFC, 2018). However, there is general agreement between scholars that the mechanisms of CG can be identified as both

internal mechanisms (those that work inside of the company) such as boardroom and ownership structures and external mechanisms (those that work outside of the company or through the market) such as regulations (Denis and McConnell, 2003; Al-Baidhani, 2013).

Some scholars highlight the important role of dispersed ownership as an effective tool for monitoring management and voting for the board of directors (Chen, 2001; Shleifer and Vishny, 1986). Fama and Jensen (1983) talk about the importance of the separation of decision making and control by owners, as a mechanism to solve agency problems. Furthermore, Fama (1980) suggests that board structure is a vital mechanism of CG (specifically, non-executives who ensure that executives are using systems consonant with the interests of shareholders). The size of the board has also been identified as a governance mechanism (see Beiner et al., 2004), and board composition (e.g., board size, number of independent directors, and diversity) has also emerged as a CG mechanism.

In light of the above, it is reasonable to see why scholars have not found a standard classification of CG that applies to all firms in all nations (Weir et al., 2002). The finance and accounting field seems to focus on inner mechanisms, such as transparency, audit committees, and disclosure to shareholders only, while recent studies concentrate more on the mechanisms associated with the boardroom and its performance regarding accountability to the stakeholders and society (Brennan and Solomon, 2008). This research considers board diversity as an essential CG mechanism (as suggested by Bernile et al. (2018) which can be used to reap social and business benefits.

3.2.3 Boardroom Roles and Duties

The traditional function of the boardroom is to act on behalf of shareholders. This is described in the Cadbury (1992) reports, in addition to other roles, such as applying governance in the company, strategy, leadership, monitoring management, and reporting to shareholders. New CG mechanisms have expanded to serve both shareholders and stakeholders. For example, guidance on running effective boards as issued by the FRC GBE (2018, p. 3) states that the boardroom should, "assess shareholder and stakeholder interests from the perspective of the long-term sustainable success of the company." Money and Schepers (2007) explain that raising CG awareness should not only consider shareholder value alone, but should include stakeholder value as well. The effective boardroom should develop its roles to work for the interests of shareholders and stakeholders (Garcia-Torea et al., 2016). In this respect, board duties and functions have changed over time in parallel with CG development.

There are three broadly shared and recognised roles assigned to the corporate boardroom: the control role, the strategic role, and the service role (Zahra and Pearce,

1989). The control duty is recognised by scholars as monitoring executive management (oversight) and company performance (Hillman and Dalziel, 2003; McNulty et al., 2011; Abdullah et al., 2016; Harjoto et al., 2018). This role could be influenced by board independence or independent directors (see Abdullah et al., 2016). The strategic task is not based on daily decisions made, but by more occasional decisions taken by the boardroom that have a primary bearing on the company's existence and health (Bathula, 2008). Many scholars also relate the strategic capabilities of the boardroom to board structure, e.g., diversity (Walt and Ingley, 2003; Terjesen et al., 2008; Kim et al., 2009; Taghavi Moghaddam et al., 2018). The service duty relates to advice that the board provides to executive management and the resources that the board comes up with to contribute to the boardroom (Johnson et al., 1996). These resources include advisory opinion, networking, and other benefits that are provided by directors in line with resource dependency theory as outlined by Pfeffer and Salancik (1978). The service duty also includes an institutional role, including that of building relationships with all stakeholders, including the shareholders, and the community as a whole (Clarke, 2007). These roles are influenced by board structure and are based on previous research (see, Ben-Amar et al., 2013; Abdullah et al., 2016; Goyal et al., 2019).

The above roles constitute the boundaries of the work of the boardroom, while the board itself is a mechanism of governance. Still, the functions attributed to the board differ according to the differences in the laws of corporate governance from one country to another (Brennan, 2006). For example, the UK CGC (2018) outlines the principles of board function and provides more detail and separate guidance for board effectiveness, to help control how boardrooms in the market carry out their roles more effectively; this is a replacement of the Higgs Report of 2006 (FRC GBE, 2018). This approach reduces the occurrence of bad subjectivity by different companies and enhances accountability and governance (Arjoon, 2019). The Saudi CGC provides only guidance on some of these elements. Another observable difference between UK regulations and Saudi regulations is that UK guidance on board effectiveness requires diversity of board structure, while the Saudi CGC does not. This illustrates the difference between the roles of board directors across different countries, and is impacted by board composition. A study by Ben Rejeb et al. (2019) reveals that board diversity positively moderates associations between ambidextrous innovation and the boardroom service role and strategy role.

Abidin et al. (2009) outlines the sum of scandals and past failures of corporate boards which have driven new standards of responsibility for boards of directors; failures include market crashes, a shortage of accountability towards stakeholders, the lack of a monitoring role, and management working only for their own benefit (Kılıç and Kuzey, 2016). Hence, it is essential that boardrooms fulfil their functions and duties effectively, because if they do not this might lead to company failure (Nahar Abdullah, 2004). Where Saudi boardrooms are concerned, increasing board diversity could influence board effectiveness and improve the director's role in the market.

3.2.4 Boardroom Committees and Diversity

Boardroom committees are used for CG to study decisions and submit changes to the board with opinions, to enhance decision-making. To evaluate a board's effectiveness and diversity, it might be relevant to consider the structure of these committees, and how many decisions are made by these groups of committees (Kesner, 1988). Carter et al. (2007) states that the impact of diversity (e.g., gender and racial diversity) within the composition of a committee for financial performance appears to be both delicate and complicated. Carter et al. (2010) fail to find any association between gender or ethnicity diversity on substantial committees and company outcomes in US companies. In contrast, Green and Homroy (2018) find an associated effect of female representation on boardroom committees and positive company performance. The number of studies about the impact of diversity on different committees is increasing, but many of these focus on gender diversity alone. For example, Adams and Ferreira (2009) find that women's attendance at committee meetings is better than that of their male counterparts, and that women tend to be more likely to be linked with monitoring committees, such as nomination committees, audit committees, and CG committees, but less frequently with serving on compensation committees, in comparison with men.

Mixed results have been found on diversity within compensation committees. For instance, Adams and Ferreira (2009) reveal no significant association between gender diversity within compensation committees and CEO pay level; because of the lower degree of female representation on such committees, the result may not significantly determine this relationship. Strobl et al. (2016) expands the work of Adams and Ferreira (2009) by using more variables to explore the relationship between women's representation on compensation committees and CEO pay. Their findings are consistent with those of Adams and Ferreira (2009). Conversely, Bugeja et al. (2016) suggest that one or more women serving on a compensation committee can prevent an increase in CEO compensation. Usman et al. (2018) show that, in Chinese companies, gender diversity within compensation committees is linked with CEO compensation, and is more closely linked to company performance, but only in the case of independent women; this relationship appears more efficient in the case of government ownership which faces critical agency problems in context.

Gender diversity within audit committees has been studied by scholars in many different ways, for example: from the perspective of audit fees (Lai et al., 2017; Ittonen et al., 2010); the quality of audits (Sultana et al., 2020; Lai et al., 2017; Srinidhi et al., 2011); earnings management (Sun et al., 2011; Thiruvadi and Huang, 2011); and an increased number of committee meetings (Thiruvadi, 2012). However, there exists disparities between the results of these studies. Chijoke-Mgbame et al. (2020) indicate that female presence on audit committees is positively associated with company performance in Nigeria. Meanwhile, a study by Sultana et al. (2020) argues that, after gender diversity rules were adopted in Australia, the quality of auditing declined in

companies which had gender diversity within their audit committees. Furthermore, Srinidhi et al. (2011) and Thiruvadi and Huang (2011) find that women's representation on audit committees is positively associated with decreased discretionary accruals, which leads to higher quality earnings reporting. In contrast, Sun et al. (2011) find no association between female presence on audit committees and earnings management. Also, Ammer and Ahmad-Zaluki (2017) find that having more women on audit committees may increase the number of errors in earnings forecasts and reduce precision. These studies indicate that there is inconsistency in the literature, and that some researchers focus more on gender while ignoring other types of board diversity, in the context of committees.

Audit committees are considered important by many stakeholders, but stakeholder perceptions about diversity in this context has been less investigated (see Kakabadse et al., 2015). Also, it is difficult to identify a holistic body of knowledge that captures the consideration of diversity's effectiveness when creating boardroom committees.

3.2.5 Protecting Shareholders Rights and Boardroom Diversity

Shareholders are those who own a firm, and they elect a board of directors to act in their interests. The board of directors is an important mechanism of the internal CG system (John and Senbet, 1998). The main job of the board of directors is to represent shareholders' interests and to reduce agency problems that result from the separation of ownership and control of the company (Fama and Jensen, 1983). In other words, the job of the board of directors is to align shareholder and stakeholder interests with management interests. Thus, the board of directors performs an essential function in terms of creating value and safeguarding shareholder funds and other stakeholder interests, and board diversity is one tool that can enhance this role. The connection of diversity to CG relates to the composition of the board and the numerous attributes, separations, varieties, and disparities of board members (Harrison and Klein, 2007).

The diversity of the board has become an important part of corporate governance around the world, and, particularly, at the moment, focus is on gender diversity. The role diversity plays in the boardroom is a hot topic nowadays, due to the growth of big corporations globally (Bell, 2011). Many scholars argue that boardroom diversity enhances CG (e.g. Adams and Ferreira, 2009; Buse et al., 2016; Lucas-Pérez et al., 2015; Abad et al., 2017), and many developed countries now recognise the importance of diversity in their CG systems. For example, in the UK, the Tyson Report (2003), the Lord Davies Report (2011), and the Corporate Governance Codes of 2012 and 2016 all recognise the importance of diversity. Also, a similar view is taken in other countries such as in Spain, Italy, the US, and in Norway. For instance, Terjesen et al. (2015) reports that sixteen countries operate governance codes that encour-

age the appointment of women board members, while fourteen other countries have made reporting on women member quotas mandatory. Western based research tells us that there are benefits behind enforcing such laws in business life, but this might be not the case in other countries. Furthermore, opinions about diversity vary in developing countries.

In emerging economies, board diversity is applied to some extent. For example, in Malaysia, the Government adopted a policy in 2011 to enforce quotas for women serving on boards (see Abdullah, 2014). However, Abdullah (2014) finds a negative relationship between gender diversity and company performance. In contrast, a study undertaken in Mauritius by Mahadeo et al. (2012) finds mixed results relating to board diversity (age, educational background, gender, and independence) in connection with short-term performance, and this result is different from the results of studies conducted in developed economies. Nevertheless, these studies do not explore how boardroom diversity influences CG, even though they find that family ownership has a direct impact on diversity in emerging economies.

In other words, in emerging economies, company performance seems to be negatively correlated with diversity in the boardroom. This might be because of the prevalence of family members serving on boards (Abdullah, 2014). Loukil and Yousfi (2016) find that foreign investors are unlikely to invest in Tunisian listed companies that operate a diverse boardroom. However, few studies relating to board diversity have been conducted in emerging markets, and some researchers believe that every country has a unique CG system (Solomon, 2021). Thus, it seems vital to conduct a similar study in Saudi Arabia, which is an emerging economy, and a country concerned with attracting foreign investors. Moreover, an in-depth Saudi Arabian study is needed in order to find out how a diverse boardroom might influence CG in this emerging economy (see Sarhan et al., 2019).

3.2.6 Boardroom Structure

Board composition is one of the most important corporate governance mechanisms. Rezaee (2009) explains that board composition depends on the ratio of independent to executive directors, and the number of directors hired impacts on board effectiveness. However, descriptions of board structure terms often include a dual CEO role (Duru et al., 2016), the size of the board of directors (Jensen, 1993; Lipton, 1992), one or two-tier boards (Belot et al., 2014), independent and non-executive directors (Young, 2000), and, more recently, board diversity (Cheng et al., 2017; Rao and Tilt, 2016). It could be argued that a dual CEO role and weak non-executive directors are among the main causes of corporate governance failure, for example Enron in 2001 (Solomon, 2021). Moreover, a study by Erkens et al. (2012) suggests that boards with more independent directors performed better than other boardrooms who hired fewer independent directors during the 2008 financial crisis. In this respect, and in relation

to corporate failure, attention turns to the composition of the board of directors, and the board can play a vital role in preventing or reducing the risk of financial collapse.

In contrast, the one and two-tier board structures are widely used in different countries as a result of adopted laws that influence the operation of corporations. The unitary board is diffuse in Anglo-Saxon countries (e.g., in the UK, New Zealand, Australia, the US, and in Canada) and it relates to the shareholder paradigm of corporate governance (Hayes et al., 2014). At the same time, two-tier boards are determined by the stakeholder paradigm of corporate governance which is practised extensively in nations that depend on civil law (e.g., in France, Germany, Japan, Austria, Netherlands, and in Denmark) (Mallin, 2013; Jungmann, 2006). In the Middle East and North Africa (the MENA countries), around 81% of government authorities have opted to use the unitary board structure. Even in countries with more freedom of choice, such as Tunisia and Morocco, most corporate boards of listed corporations operate a unitary boardroom (OECD, 2019).

A study by Belot et al. (2014) argues that there are benefits in allowing the choice of boardroom structure to be optional, because the unitary board encourages information asymmetry, while the two-tier board structure offers greater monitoring power. The unitary board is used more often in companies that employ first-generation founders (Belot et al., 2014). This might reveal why the unitary boardroom is widely used in MENA countries, because, in these countries, there is considerable ownership concentrated in just a few jurisdictions, such as the family and the government (OECD, 2019).

The process of counselling and monitoring can illustrate the components of board composition (García Martín and Herrero, 2018), in addition to ownership (Thompson Renée et al., 2019). In this respect, there are no conclusive results between scholars about the impact of board size, independent directors, and board diversity. For example, Nguyen and Nielsen (2010) argue that an excellent service can be provided to shareholders by hiring independent directors. However, Samara and Berbegal-Mirabent (2018) contend that the appearance of independent directors might lead to a reduction in company performance; (their research involves examining collaboration and information sharing in Lebanese family businesses which operate in a collectivist cultural environment.)

Board size has sometimes been negatively associated with a company's value, and with the power to override various CG practices (Mak and Kusnadi, 2005). Some scholars argue that the optimal board size is eight directors (Jensen, 1993; Lipton, 1992). Nevertheless, Kalsie and Shrivastav (2016) argue that a larger board size is positively associated with a company's performance, from both an agency theory and a resource dependency perspective, while stewardship theory favours a smaller boardroom size. The complex operations of companies nowadays often means that firms create large boards with many independent directors, and more comprehensive diversity (García Martín and Herrero, 2018). Furthermore, a larger board is sometimes needed to cover many different operational areas, and to assert the kind of control associated with

independent directors. Diversity offers advantages by affording access to a greater amount of knowledge and experience by combining the use of the most qualified directors (García Martín and Herrero, 2018). This book is about board diversity and effectiveness, and, as such, it is valuable to explore board diversity in relation to other elements such as board size, structure, and independent directors.

3.2.7 Selecting and Nominating of Board Members

The selection and nomination of board members should be informed by the mission, values and vision of an organisation as well as social needs. There is overwhelming support within existing literature for a structured, consistent board nomination policy within organisations. Pichet (2017) draws from enlightened shareholder theory to discuss the definition and nomination of independent directors in the boardroom; this article argues that the process should be governed by the value it will add to the long-term objectives of an organisation and its ability to serve the shareholders' interests. In this regard, there is a clear indication that protecting the shareholders' and business needs of an organisation should be a key determinant in this process. Ruigrok et al. (2006) reports that the nomination of board members is influenced by agency theory, resource dependence-theory and group effectiveness theory, creating a framework that aligns the nomination of board members with the goals of an organisation; also revealing that this process helps to describe the various characteristics of boardroom composition and its effectiveness. Nevertheless, serving the interests of the shareholders only would lead to judgments being made by the management team (or group of main shareholders) which might result in agency conflicts and problems (García Martín and Herrero, 2018). This scenario may lead to increasing the number of networks that do not necessarily focus on serving the interests of the company (or are dealt with in a crude way by increasing the status of friends, and, thus, harming the efficiency and diversity of the board) (Pichet, 2017).

Withers et al. (2012) observes that director selection and nomination is an important process, and is influenced by multiple factors, such as the needs of the organisation (the organisation-level) and the unique competencies of the individual (the socialised-level). Withers et al. (2012) also emphasises the value of stakeholders in the process of selecting directors. Previous studies seem to focus on economic interests rather than social benefits and good governance. However, complying with good CG in board selection might achieve both added value for the shareholders through company performance, and serve social needs in general (García Martín and Herrero, 2018).

A nomination committee (NC) plays a vital role in structuring the boardroom and enhancing its diversity (Pirzada et al., 2017). The notion of boardroom diversity has been supported in previous management studies, in order to promote diversity of character (e.g., gender, age, nationality, educational level, and background, etc.) among

particular types in the boardroom, and the NC has to take difficult decisions (Randøy et al., 2006). Mans-Kemp and Viviers (2019) find that increased diversity within the NC is related to a diverse boardroom in terms of gender and race types. Moreover, an NC with gender diversity can positively affect female representation on a corporate board (Kaczmarek et al., 2012; Hutchinson et al., 2015). Also, Ruigrok et al. (2006) and Hutchinson et al. (2015) show that different nationality settings in NC are associated with diverse nationality in the boardroom. In contrast, Ruigrok et al. (2006) find no relationship between NC in terms of gender and educational diversity, and diversity in the boardroom relating to these types. In a study of developing economies such as Ghana, Appiah et al. (2016) find that gender diversity in the boardroom is not associated with NC. Therefore, previous research is inconclusive, and places little emphasis on restrictions relating to board diversity effectiveness.

An effective NC may work to provide checks and balances on the value and advantages of diversity to form a suitable mixture of new board members who can offer relevant information, while maintaining adequate homogeneity for making efficient decisions (Randøy et al., 2006). In this regard, knowing the barriers that prevent diversity in the boardroom, which arise from different stakeholders, may help to address these issues, and so boost board diversity effectiveness. The ultimate purpose of the NC is to ensure the selection of competent, adequate candidate directors from a diverse range of backgrounds so as to enhance board effectiveness (Kaczmarek and Nyuur, 2016; Eminet and Guedri, 2010; Walther and Morner, 2014).

3.2.8 Ownership

Said et al. (2019) notes that ownership structure comprises two important dimensions; ownership concentration and ownership type. Ownership concentration is quantitative information which refers to the number of shares held by investors, while ownership type focuses on qualitative information about the identity of the shareholders (Said et al., 2019). These different dimensions mean that ownership influences can vary across different settings. For instance, in China and India, Saeed et al. (2017) find a negative relationship between a concentrated ownership structure (family and government) and both gender diversity and independent directors, but a positive relationship with women independent directors, when the firm operates internationally. Ownership structure can be a potential source of challenges or opportunities within an organisation (Said et al., 2019). For example, Gyapong et al. (2019) suggest that gender diversity diminishes dividend payments, while this relationship rises with a growing concentration of ownership structure. Meanwhile, Ben-Amar et al. (2013) argue that boardroom diversity leads to independent boards, but not under all types of ownership structure.

Some studies note that ownership structure increases boardroom diversity. For instance, Vieira (2018) shows that a concentration of family ownership is related to

a low number of independent directors, but higher gender diversity and positive performance; the study suggests that the presence of women directors, as well as leverage, and size of family ownership can boost company outcomes at times of economic difficulty. At the same time, other studies find that ownership influences the function of diversity. Ozdemir (2020) finds that, although board diversity is associated with company performance, the level of this relationship is contingent upon the degree of institutional ownership; this study shows how, in a tourism company, a decrease in the level of institutional ownership positively impacts the association between diversity and performance. Ozdemir (2020) suggests that board diversity, as an internal CG mechanism, is essential when the external CG mechanism (institutional ownership) is low. Another example, Thompson Renée et al. (2019), finds that, although board members feel that they might perform their duties effectively under governance ownership, other respondents thought the opposite; the participants revealed that companies under government ownership experience issues such as long board meetings, inadequate training, issues relating to hiring new directors, weak disclosure, and low accountability and transparency. The results are inconclusive regarding the impact of ownership structure on boardroom diversity.

Because this book focuses on Saudi Arabia, it is important to consider how firm ownership plays a role in emerging economies, especially where there is a high proportion of state ownership. Said et al. (2019) reports that the majority of listed firms in the MENA region are dominated by companies with government majority shareholding, and, as such, the influence of foreigners on organisational performance is limited. However, the participation of governments means that these firms benefit from policies that are more aligned to their needs. However, conversely, foreign-owned firms have access to diverse perspectives and resources, which can enhance their competitiveness in the host country (Kobeissi and Sun, 2010). In GCC countries, Abdallah and Ismail (2017) find that the association with good CG and company performance increases when the firm has dispersed ownership, rather than concentrated ownership (i.e., state ownership and local company ownership). Al-Bassam et al. (2018) find that, in Saudi Arabia, CG disclosure diminishes significantly in companies with increasing ownership structure. Furthermore, a study by Al-Janadi et al. (2016) shows a negative relationship between state ownership and governance effectiveness in Saudi listed companies. This shows that the effect of ownership is important and needs to be studied (see Piesse et al., 2012), as it may increase or diminish board diversity and its effectiveness.

3.2.9 The Chairperson

Separating the role of a board chairperson from that of a chief executive officer has been extensively studied (see Pucheta-Martínez and Gallego-Álvarez, 2019; Sarhan and Ntim, 2019; Arayssi et al., 2020; Piesse et al., 2012). However, the number of

dual roles has decreased over time in certain countries and has been abolished from practice by CG law in other countries. For example, according to Spencer Stuart (2019a), the separation of the dual role in US S&P 500 boardrooms has decreased by 29% over the previous decade while, in the UK, in the top 150 FTSE boardrooms, the number decreased from 3.3% to 0%. In Saudi Arabia, Piesse et al. (2012) show that 44.6% of the study sample companies had a combined Chairperson/CEO. However, the new CG code of 2017 has adopted a law to segregate the roles of Chairperson and CEO.[11]

Piesse et al. (2012) explains how chairpersons in Saudi Arabia and Egypt have the ability to enforce ideas upon other directors, with full power to control and override decisions made in the boardroom. Furthermore, the role of a chairperson in the aforementioned countries is commonly occupied by individuals who are older (Piesse et al., 2012). Nevertheless, the new CG code highlights that no individual should be able to make decisions through absolute rule.[12] This indicates that the new CG code encourages collective decisions to be made by all directors. Kakabadse and Kakabadse (2007) finds that the function of the chairperson of a board of directors in an organisation shapes group dynamics, roles played, contributions for backing, and oversight administration; the study concludes that a chairperson holds considerable authority and influence over the decision-making within an organisation, but it might be better to have a diverse group controlled by a chairperson to improve decision-making within boardroom. Sarhan and Ntim (2019) suggest that managers and companies in the MENA region should enhance CG quality in order to align themselves with best practices by having greater diversity in the boardroom.

In this book, the chairperson is identified as an individual who can manage diversity in the boardroom. In this context, a study by Kakabadse et al. (2015) confirms the importance of the chairperson's role in promoting board diversity, and in hiring and assessing directors and their responsibilities using governance considerations. Also, Kanadlı et al. (2020) suggest that the leadership ability of the chairperson involves moderating the positive relationship between jobs connected to a diverse boardroom and strategic role performance. Kanadlı et al. (2018) find that, when a chairperson acts with open-mindedness within a boardroom environment, this boosts the contribution from minority women. In this book, the chairperson is considered as vital for increasing and managing diversity in the boardroom. Finally, a chairperson has the ability to balance the boardroom by employing well qualified directors (Nahum and Carmeli, 2020).

11 Chapter 2 – Article 24 (a) Saudi's Corporate Governance Code 2017

12 Chapter 2 – Article 24 (d) Saudi's Corporate Governance Code 2017

3.3 Boardroom Diversity

3.3.1 Definitions and Background

There is no definitive consensus about what board diversity actually means, and this includes categories and types of board diversity (Rose, 2007). Kang et al. (2007) define board diversity as the "mixture of board members" as categorised into observable elements (e.g., gender, age, nationality, and ethnicity) and non-observable elements (e.g., education, functional skills, and experience). Milliken and Martins (1996) suggest that diversity among board members can be categorised according to gender, age, ethnicity, culture, religion, constituency representation, independence, professional background, knowledge, practical experience, and life experience. Moreover, one highly cited definition by Walt and Ingley (2003) talks about a mixed compound of board members' attributes, features and know-how and how these attributes might affect decision making and the boardroom process.

Ben-Amar et al. (2013) define diversity in terms of the kinds of people assigned into specific groups to do specific jobs (i.e., board members etc.). Ben-Amar et al. (2013) also define diversity as the extent one can measure individual demographics such as gender, nationality, culture and experience. Also, demographic diversity can be used to define different experiences, sensitivities, and perspectives (Krawiec et al., 2013). Diversity can also be referred to as "heterogeneous" (as noted by Mahadeo et al., 2012; Kang et al., 2007; Milliken and Martins, 1996). Inversely, elements of non-diversity can be described as "homogeneous". Although extensive research has been carried out into diversity, no single definition or categories have been universally agreed between scholars. Furthermore, no agreement has been reached about the effect and impact of diversity in the boardroom. Therefore, the definition used by Kang et al. (2007) is most suitable for use in the context of this current study. Moreover, this study will concentrate on three observable characteristics of board members, namely, gender, age, and nationality, and three non-observable elements, namely, education background, qualification level, and expertise.

A considerable amount of literature has been published on the impact or effects of boardroom diversity on a firm's performance as well as other aspects of business life such as CSR, remuneration, risk management, board performance, employee productivity, ownership, and mergers and acquisitions (Milliken and Martins, 1996; Carter et al., 2003; Adams and Ferreira, 2009; Ben-Amar et al., 2013; Abdullah, 2014; Kakabadse et al., 2015; Chen et al., 2016; Gordini and Rancati, 2017; Sarhan et al., 2019; Issa and Fang, 2019). There are many beneficial aspects of boardroom diversity for members of the board and the firm. For instance, enhancing creative skills, innovation, and the efficient solving of problems, as well as an increased ability to comprehend the market (Carter et al., 2003). Alexander (2016) shows that firms can increase their performance by operating gender diversity in the boardroom, particularly in social industries and healthcare, where diversity appears to serve a special case that

includes social aspects as well as financial. By way of illustration, Kakabadse et al. (2015) argue that the non-financial merits of boardroom diversity are legitimate and can help to improve the image of a firm among its stakeholders, and provide other benefits such as enhanced decision making, and the use of all available skills and resources. As discussed in the section above (on CG) the balance between different stakeholder needs in relation to board decision making is important, thus, understanding the role of diversity in this context adds value to this study.

Terjesen et al. (2015) argue that gender diversity is a business robust benefit, and females can be depended on to produce future resource benefits for the firm, rather than boardroom benefits only. Furthermore, the benefits of female representation in companies that are involved with products consumed by women can be substantial. Moreover, boardroom diversity benefits shareholders by boosting corporate monitoring and helping to resolve conflicts. All these benefits can result in improved manager and shareholder satisfaction (Byoun et al., 2016). Overall, these examples support the view that board diversity enhances the monitoring of the board (Hillman and Dalziel, 2003; Alexander, 2016), while others argue that diversity supports independence, quality control, and transparency (Carter et al., 2007; Terjesen et al., 2015).

Despite the fact that the majority of research comes out to support the benefits of diversity, some research shows that diversity in the boardroom may have some drawbacks, or it might not work to influence expected benefits. A study by Mahadeo et al. (2012) finds that firms that have homogeneity of age in the boardroom develop more effective connections than boards that represent heterogeneity. Homogeneity of age can provide benefits to the firm in terms of how well objectives are understood and communicated, as well as in communicating values, and this works in favour of good firm performance. This might reveal existing reasons as to why or why not boardrooms should increase diversity to correspond with their societies' business needs (Rose, 2007).

Other studies that examine gender diversity in relation to ownership structure find a positive relationship between the two. However, Nekhili and Gatfaoui (2013) show that a mandatory quota of women can impact boardroom performance negatively, mainly because the board's focus is placed on meeting quotas rather than on hiring people based on relevant skills and experience. Also, obligatory quotas for increasing gender diversity in the boardroom might not work to achieve other aims such as: board independence, refreshing old board norms and practices, and enhancing different opinions or views in the boardroom (Gregorič et al., 2017). Sometimes more importance is placed on filling gaps to ensure female representation rather than electing the most qualified females or persons. In addition, this focused approach might decrease the attention paid to promoting other types of diversity in the boardroom. Chapple and Humphrey (2014) report that gender diversity does not play a role in solving agency cost problems. Therefore, it seems that there are challenges when considering board diversity, and all issues cannot be generalised across regions.

3.3.2 Functional Diversity

The functional characteristics of the board of directors comprise non-observable elements, such as experience, educational background, and educational level. These elements are explored in more detail below.

3.3.2.1 Diversity of Experience

Only a few studies have been undertaken about the effects of director experience on corporate boardrooms (Gray and Nowland, 2017). A study by Kroll et al. (2008) describes board member expertise based on the number of prior years that directors have been working as executives or directors in the same sector. A study by Certo et al. (2001) discusses board member experience based on the number of directorships that directors have held. According to Gray and Nowland (2013) shareholders appreciate directors who have held previous directorships; this study finds that the Australian market reacts positively to the appointment of directors who have four or more years of experience, and who have already held two or more board memberships with listed companies, in contrast to directors with less experience. However, Thorsell and Isaksson (2014) note how earlier studies suggest that tenure and interlocking are appropriate measures to use. Nevertheless, in the long-term after IPO, this is not necessarily the case, since the previous experience of directors is less relevant, especially when it comes to operating in different institutional contexts.

Some scholars link the age of a director with their experience, in that it is perceived that older directors have gained more experience over time (Bodnaruk et al., 2008; Kang et al., 2007). However, limiting the definition of experience to something that is related to age could prevent diversity of both age and gender, and might serve to ignore good candidates that have not had the privilege of previous board tenure experience. Pitt-Catsouphes et al. (2013) suggests that the development of technology and the social shifts that have taken place in recent years means that different generations now offer a variety of different beliefs, values, and work experience. In this context, education and training might work to fill gaps in experience for women and younger directors (Kakabadse et al., 2015). Creary et al. (2019) argue that the skills and competences of directors should be taken in to account as factors in addition to demographic elements. For example, younger candidates with excellent IT experience might not usually be offered a position in the boardroom due to perceptions about age and experience.

A study by Noor et al. (2016) examines the essential role of ICT experience in enabling board members to make investments in IT; this study demonstrates the importance of functional experience in shaping company performance. Furthermore, Kabongo and Okpara (2019) find that diversity of experience on the boards of the African banks helps to speed-up the shift towards entering into foreign markets compared with the non-diverse boardroom. This indicates that diversity of experience

might not only depend on age or years of experience; it can be more comprehensive than that, and diverse experience can enhance board effectiveness.

The value of experience held by directors is viewed differently across various theories. For example, in agency theory, it is deemed that director experience contributes to a greater degree of monitoring and to the effective counselling of executive management (Hillman and Dalziel, 2003). In resource dependence theory, the experience of the director is an essential resource that can offer competing services that might be difficult to repeat (Crook et al., 2011). Differences have also been observed across nations. For instance, in the US, a study by Chen et al. (2020) explains that after US Congress announced new trading relationships with China (in 2000), companies who hired external directors with a Chinese background, and were involved in investment with Chinese companies, obtained greater profits, and this impacted US share values.

In Saudi Arabia, Alshareef and Sandhu (2015) reveal that diversity in terms of industry and multi-industry experience contributes to board effectiveness in many ways, including: improved communication between directors on the same board, speeding up development, improving strategy, avoiding risk, creating greater opportunity chances, gaining industry know-how, and creating faster access to relevant networks. In contrast, Nielsen and Nielsen (2013) note that both sector and international experience has no significant effect on decisions made and performance. Nevertheless, Kroll et al. (2008) suggests that boardrooms that employ relevant director experience gain positively from effectiveness, in contrast to boardrooms that appoint vigilant directors without suitable knowledge. Thus, it is essential to hire the most appropriate experience from the stakeholders' perspective, and employing diversity on the board of directors can increase and boost effectiveness in this way.

3.3.2.2 Diversity of Educational Background

Educational background has been defined in multiple ways in previous studies about boardroom composition. For example, studies by Mahadeo et al. (2012), Rose (2007), and Ooi et al. (2015) seek to determine and measure educational background according to subject specialisation (e.g., engineering, business management, and accounting etc.). Studies by Harjoto Maretno et al. (2019), Bernile et al. (2018), and Moser and Shabanaj (2019) measure and define educational background according to educational attainment level (i.e., holding a bachelor's degree, a master's degree, or a doctorate etc.). Others such as Bond et al. (2010), and Chen et al. (2008) define and measure background according to the educational establishment attended by the director, i.e., where the director obtained their education. This has led to variations in findings, especially relating to diversity in the boardroom and how this contributes to board effectiveness, as well in relation to different types of diversity. For instance, a director with a postgraduate or high-level of education could expect to have more cognitive ability and might process decisions using reasoning and objectives that

take into account all stakeholders and social aspects (Zhi-hua, 2010). However, Rose (2007) suggests that corporate board work does not require any special education.

Educational background is often required implicitly in some CG codes as a requirement for specific committees (e.g., an audit committee). However, for some posts, educational level does not appear to be a requirement, even implicitly. Therefore, this book treats educational background in terms of how it relates to a subject or to a specialism, and educational level in terms of the standard of educational attainment that directors hold. This allows the researcher to identify different contributions to help identify its impact.

Previous studies reveal mixed results in relation to how a director's educational background influences diversity and company performance. For example, Rose (2007) finds no link between educational background, diversity, and Tobin's Q. Mahadeo et al. (2012) finds a negative association between educational background, diversity, and ROA, and Kim and Lim (2010) reveal that educational background can have a positive impact on a company's value. However, Ooi et al. (2015) suggest that adopting greater diversity when it comes to educational background within the boardroom could worsen company performance in the time of crisis. Furthermore, Smith et al. (1994) note that due to the complexity of decision making undertaken by top level management, diversity of educational background can improve boardroom effectiveness. Also, Naranjo-Gil (2009) reveals that younger directors who have a financial background and more limited tenure experience tend to use more innovative administrative and accounting tools. Similarly, in a study of Greek hotel management, Pavlatos (2012) notes a relationship between the CFO with a business background and the application extensive cost-management systems. Sarhan et al. (2019) looks at different types of diversity and recommends further study into educational background.

3.3.2.3 Diversity of Educational Level

Previous studies have considered education level as another form of cognitive knowledge that might contribute to boardroom effectiveness. Wally and Baum (1994) find that the more years of education gained by an executive then the greater the impact the director has on comprehensive decision-making strategies. This finding relates to cognitive complexity and the ability to assimilate new opinions and allow innovation. In the US, education level is found to be positively associated with a company's social performance (Harjoto Maretno et al., 2019). In contrast, Zhi-hua (2010) finds that education level is significantly negatively associated with a company's social performance among the top management team. The politics of argumentation might vary from one boardroom to another or from one culture to another. In this respect, Simons (1995) suggests that diversity of education level among top management is beneficial, particularly if this contributes towards the group undertaking open-minded discussion, which leads to variety, debate and teamwork. However, this could also be barrier to diversity as well as a benefit, depending on how dynamic works in the boardroom.

Another barrier to the diversity of education levels in the boardroom relates to ownership structures. In France, Nekhili and Gatfaoui (2013) show that employing highly educated women in the boardroom is negatively associated with family ownership, and that family-owned firms tend to hire women with family connections regardless of their qualifications. This trend might also exist because of policies that are in place to increase the number of women in boardrooms, and companies tend to fill these quota positions with females they know rather looking outside of their families and networks for those women who are most qualified (Adams and Kirchmaier, 2015). This reveals an embedded agenda and adherence to norms regardless of any external governance regime (Ilhan-Nas et al., 2018). Therefore, educational level only sometimes applies to proper selection for the boardroom.

Mixed results can be found in studies that explore the effects of educational levels on company outcomes. In the US, Cannella et al. (2008) finds both positive and negative associations. In Malaysia, Adnan et al. (2016) finds that boardrooms are not diverse in terms of educational levels, especially those companies linked to state ownership. In New Zealand, Bathula (2008) finds that the appearance of a PhD qualification among directors is negatively associated with company performance. In contrast, Wincent et al. (2010) suggest that a diversity of educational levels in the boardroom enhances innovative performance. Furthermore, in Jordan, Makhlouf et al. (2018) finds that a diversity of educational levels positively correlates to the quality of reporting (e.g., accounting conservatism). In Indonesia, Darmadi (2013) finds that directors who have obtained a high level of education, especially from prestigious educational institutions, positively correlates with ROA and Tobin's Q. Also, in Saudi Arabia, a multi-case study by Alshareef and Sandhu (2015), which investigates boardroom diversity and corporate social responsibility (CSR), finds only one case where diversity of educational levels enhanced CSR, while no other cases were supported. All this indicates inconsistencies among previous studies which might need to be addressed.

There is a body of research which explores the quality of education gained and the influence of educational institutions, and how these elements contribute towards boardroom effectiveness. For example, Kabongo and Okpara (2019) find that companies which expand into global businesses faster, have a board of directors that possess high-level qualifications from overseas managements schools based in the US, the UK, and in Africa. Furthermore, Johnson et al. (2013) suggests that directors with a specific demographical education hold social capital which might benefit firms. For example, in China, during the period from 2010–2011 there was an increase of 2% in the number of females who took the Graduate Management Admission Test (GMAT), among those women who were seeking to undertake a post-graduate education at a prestigious US school, with the ultimate objective of gaining leadership positions in Chinese corporations (Hastings, 2013). Furthermore, Darmadi (2013) suggests that companies with CEOs who hold a degree from a prestigious school enjoy greater profitability compared to their companions. However, Darmadi (2013) also

finds only a marginally significant effect on ROA in companies that have a Board of Commissioners (a two-tier board system).

Overall, further research needs to be undertaken in this area to gain insight into the context and to investigate the impact of different elements on companies' outcomes. Also, understanding stakeholder perspectives on how educational background and education level influences opinions might be important.

3.3.3 Demographic Diversity

The demographic characteristics of board members relate to observable elements such as age, gender, and nationality. These elements will be explored in more detail below.

3.3.3.1 Age Diversity

There are a limited number of studies (all revealing inconclusive results) about age diversity in the boardroom and how this impacts on company financial performance (Ferrero-Ferrero et al., 2015). For example, some studies find that age diversity is associated with a positive impact on financial performance, especially in US companies (Choi and Rainey, 2010), and in European companies (Ferrero-Ferrero et al., 2015). Similarly, in Indonesian listed companies, Darmadi (2011) finds that when the board includes younger directors, this impacts on company performance positively. However, in contrast, some studies find that age diversity is negatively associated with company performance (Kunze et al., 2011; Ali et al., 2014; Eulerich et al., 2014; Diepen, 2015; Shehata et al., 2017). Interestingly, Tanikawa et al. (2017) finds that the presence of older directors only moderately lowers the negative correlation between top management, age diversity, and ROE. Therefore, inconsistencies exist between previous studies about age diversity. Nevertheless, Mahadeo et al. (2012) favours the positive impact of age diversity as a factor that relates to other independent variables, even though their study questions whether age diversity on boards is actually workable.

There is some evidence to suggest that boardrooms, on the whole, are dominated by older male directors. For example, Carter et al. (2003) reveals that the average age of a director serving in a boardroom in 797 Fortune 1000 firms is 59 years of age. In Australia, Kang et al. (2007) also state that in 78% of listed companies a director's average age is between 51 and 70 years, and, furthermore, former managers can capitalise during their retirement when they are retained to sit on different company boards. In Malaysia, Abdullah and Ku Ismail (2013) report that the average age of a board member is 58 years. Furthermore, Mahadeo et al. (2012) finds that in Mauritius the average age of a director is between 46 and 65 years of age in 63.14% of board seats.

According to Kunze et al. (2011) a lack of age diversity in companies appears to be linked to a climate of discrimination that influences overall company performance negatively, due to the impact of personal commitment. On the other hand, older directors could have more experience than their counterpart younger directors (Mudambi and Treichel, 2005). Houle (1990) stresses that a mixed board composition might ensure the more effective distribution of tasks, because older directors can provide more experience and financial networking support. For example, middle-aged directors might engage more with the administrative duties and younger directors might engage with self-training and expanding their expertise. A study by Mahadeo et al. (2012) adds that younger directors in the boardroom provide the board with bright ideas, but Child (1974) explains that some older managers might have difficulties in accepting new insights and in making organisational shifts.

From a psychological point of view, sometimes, older directors might be more rigid, focused on the short term, and be resistant to organisational shifts, in comparison with their younger counterparts (Kunze et al., 2013). According to Zhi-hua (2010), older directors adopt more conventional ideas which are more risk-averse, and they obey regulations and routines more than younger directors. Thus, clearer insights are needed to learn how age diversity can contribute to the effectiveness of the boardroom (see Sarhan et al., 2019).

3.3.3.2 Gender Diversity

Research conducted by EIRIS which reviewed more than 1,600 companies listed on the FTSE All-World Development Index in 24 developed economies, finds that female board representation comprises just 7.1% (Maier, 2005). Due to this figure, gender diversity is a controversial topic, which has led to an increase in research about corporate governance and work ethics (Mateos de Cabo et al., 2012). According to Terjesen et al. (2009), female representation has risen on corporate boards because of the adoption of policies designed to recruit women, but increasing female representation remains a slow process. A recent study by Tyrowicz et al. (2020) sampled more than 20 million companies in 41 European countries, comprising both developed and developing economies, to find that almost 70% of companies work without women serving on supervisory boards, and 60% have no women in the boardroom. Similarly, in MENA countries, the representation of women in boardrooms remains weak and no regulations are in place to remedy this situation (OECD, 2019; Abdelzaher and Abdelzaher, 2019; Sarhan et al., 2019; Issa and Fang, 2019). This shows that there is a need for the further in-depth investigation of female participation in these countries.

Previous studies are inconclusive about the relationship between gender diversity and company performance (Abdelzaher and Abdelzaher, 2019). For example, Carter et al. (2003) finds a significant positive relationship between women in the boardroom, company value, and Tobin's Q. Indeed, Pucheta-Martínez and Gallego-Álvarez (2019) suggest that female representation on corporate boards is positively associated

with company performance. Moreover, Erhardt et al. (2003) offer evidence of a positive relationship between gender diversity and company performance, by estimating ROA and ROI. In contrast, Carter et al. (2010) and Rose (2007) find no statistical evidence to support the relationship between female representation in boardrooms and company performance. Furthermore, a recent study undertaken in Bahrain by Jafaar et al. (2019) finds that female representation is negatively associated with company performance. Therefore, previous research does not offer a conclusive understanding of this issue, neither does it identify the boundaries of gender diversity in boardrooms.

Farrell and Hersch (2005) fail to find a clear indication that female representation equals a value improving strategy, but it might help a company respond to internal and external pressures to hire a board which reflects society at large. This evidence is supported by Hillman et al. (2007), who reveal that companies which adopt more gender diversity in the boardroom are considered more legitimate in terms of CG best practice. Also, Bilimoria (2006) finds that gender diversity in the boardroom might indicate a company's willingness to increase female representation in lower positions. The rising trend of female participation in the boardroom might add financial benefits and meet non-financial objectives (Liao et al., 2015). In the boardroom, females might contribute different points of view and beliefs from those of their male counterparts (see Pelled et al., 1999; and Hillman et al., 2007). In addition, Liao et al. (2015) argues that males and females differ both socially and culturally, and so can offer different perspectives in terms of character, education, experience, and display different communication behaviour. Moreover, the variety of opinions of both males and females might benefit a company when a business sells products and services designed to target either men or women (for example females might have better insight into female consumers) (see Sweetman, 1996; Singh and Vinnicombe, 2004). Therefore, it is important to explore increasing the number of women serving on boards.

3.3.3.3 Diversity of Nationality

A study by Maturo et al. (2019) which reviews previous research undertaken about board diversity and nationality, concludes that most studies use different theories and methods, some of which point to a negative correlation between nationality and diversity. However, most studies generally support the value of diversity of nationality, and some find a positive association between diversity of nationality and company performance (Ujunwa, 2012; Ararat et al., 2015; Estélyi and Nisar, 2016; Sarhan et al., 2019). In contrast, no significant associations are found by Randøy et al. (2006) and Darmadi (2011), but negative associations are reported by Eulerich et al. (2014), Khan and Abdul Subhan (2019), and Diepen (2015). For instance, in emerging economies such as Pakistan, a negative association between diversity of nationality in the boardroom and performance is noted due to variances in cultural outlook and language communication obstacles (Khan and Abdul Subhan, 2019). In nine Middle Eastern countries, including in Saudi Arabia, a study by Salloum et al. (2019) shows that although there is a

positive influence linked to diversity of nationality in relation to gender and ethnicity on company performance, this is in the minority of cases, and often leads to reduced performance. This is because there is often a clash between global and local agendas among individuals, there are problems associated with perceptions of legitimacy, and the appointment of foreign directors for global PR reasons rather than because they are crucial for the boardroom (Salloum et al., 2019). Van Veen and Elbertsen (2008) note that international business sometimes imposes practices that clash with those adopted at a national level, especially multi-national companies. On the other hand, Estélyi and Nisar (2016) observe that active shareholders perform an essential function in influencing the adoption of a diverse boardroom. However, Maturo et al. (2017) indicate that institutional shareholders do not usually influence diversity of nationality in the boardroom. This research shows differences between developed and developing countries in relation to the impact of the effectiveness of diversity of nationality, and reveals the motives that drive this kind of diversity in boardrooms, i.e., the influence of institutional shareholders, active investors, or foreign shareholders.

Other studies draw positive indications about diversity of nationality, suggesting that it promotes social and financial benefits. For example, Estélyi and Nisar (2016) find a positive association between diversity of nationality in the boardroom, shareholder diversity, and global company operations. In Jordan, Makhlouf et al. (2018) reveals that board diversity, which includes diversity of nationality, is positively associated with conservative accounting practices. Harjoto Maretno et al. (2019) suggest that the enhancement of the diversity of nationality in the boardroom advances corporate social responsibility. Furthermore, Fernandez Whitney and Thams (2019) reveal that board diversity which includes diversity of nationality can lead to more efficient management for stakeholders, because the combined experience of the directors controls connections between diversity of nationality and gender, as well as connections with stakeholders. In the MENA countries, including in Saudi Arabia, Sarhan et al. (2019) finds a positive relationship between diversity of nationality in the boardroom and company performance, but they suggest that future research is needed to gain in-depth understanding in this area.

3.4 Boardroom Effectiveness and Diversity

Empirical studies have examined boardroom effectiveness from different perspectives, including the roles of board members and of the board itself such as: monitoring, independence, assessed risk management/internal control, and decision making. However, these studies focus on one or two aspects of board effectiveness as a mediator to company performance. For example, Rocio et al. (2020) narrows down the direction to board operational and decision-making processes and how they work as a tool of board effectiveness and company performance. This book evaluates stakeholders' perceptions on how boardroom diversity influences effectiveness, and the

contributions of diversity on different effectiveness mechanisms. This is done in order to understand perceptions about increasing diversity in the boardroom. According to Nordberg and Booth (2019), understanding how boardroom composition contributes to effectiveness considerations is essential to draw the agenda for corporate governance research and policy making. Achieving good CG helps to protect the interests of shareholders and stakeholders and works to uphold the social responsibilities of businesses (see Solomon, 2021). The following sections will review mechanisms of effectiveness in relation to boardroom diversity.

3.4.1 Monitoring versus Independence

Monitoring is one of the most important functions that can be improved by boardroom diversity, and this point has been outlined in previous research. Byoun et al. (2016) suggest that boardroom diversity is more effective than homogeneity, and that diversity can help enhance monitoring and reduce agency problems that might result between management and shareholders. Particularly, Lucas-Pérez et al. (2015) note that gender diversity enables the monitoring of unsuitable compositions, functioning, structures, and size. For instance, Loukil and Yousfi (2016) suggest that a boardroom with a large number of members and more women members can increase effectiveness.

Diversity can enhance boardroom effectiveness by influencing monitoring practices in the boardroom. For instance, Srinidhi et al. (2011) suggest that the quality of earnings rises for companies that have a diverse boardroom. In addition, Byoun et al. (2016) finds that firms that operate diversity in the boardroom pay more dividends than firms which support non-diverse boards. Also, preventing free cash flow problems can solve agency conflicts and benefit shareholders.

Information asymmetry is another agency problem that can be reduced by applying diversity. For example, Abad et al. (2017) shows that women serving on boards worked to decrease levels of information asymmetry in firms listed on the Spanish stock market. Furthermore, Upadhyay and Zeng (2014) suggest that boardroom diversity relates to a motivation to boost the image of the company, and that increased monitoring increases the transparency of the information environment. In the same way, Alshareef and Sandhu (2015) suggest that board diversity is an important tool for enhancing the effectiveness of different functions, such as monitoring, strategic and service functions, and CSR in corporate governance.

The independence of the boardroom can, indirectly, enhance performance and boost monitoring functions (Fama and Jensen, 1983; John and Senbet, 1998). Indeed, boardroom diversity can contribute to the effectiveness of the boardroom and this function has been noted by previous researchers. For example, Terjesen et al. (2016) find that women directors boost boardroom effectiveness, as well as board independence, which gives a true signal of the effectiveness of a board. Indeed, Fields and Keys

(2003) find that outside directors often enhance the monitoring of management, and this improves boardroom effectiveness. Also, women serving on a board of directors can enhance board independence (Abdullah, 2014).

A study by Ben-Amar et al. (2013) suggests that board diversity might not guarantee the independence of the board across different ownership structures. Indeed, Nekhili and Gatfaoui (2013) provide strong evidence taken from France that family ownership, company and board size all influence the appointment of women to a board of directors. Similarly, in emerging economies such as Malaysia, Abdullah (2014) finds that women are elected to the boardroom by means of a family connection, rather than due to business needs. However, it seems that diversity can boost two aspects of boardroom effectiveness: monitoring and independence. However, failure to achieve board independence might impact the monitoring scheme as a consequence. Ntim (2015) suggests that ethnic and gender diversity can enhance boardroom effectiveness by improving independence and executive monitoring. Therefore, it is important to understand how diversity can impact different aspects of the boardroom.

Adams and Ferreira (2009) link boardroom diversity with greater CEO turnover, and more sensitivity to performance. However, the effectiveness of a diverse boardroom is reduced when board members are of the same ethnicity as the CEO (Byoun et al., 2016). Indeed, Campbell and Mínguez-Vera (2008) argue that boardroom effectiveness is, essentially, the monitoring of executive management performance based on different elements relating to board members, such as: qualifications, experience, participation in directorships for other firms, levels of ownership, and any compensation system used. In other words, they argue that the characteristics of the members of a board can result in enhancing or hindering the role of the monitoring scheme. Thus, different types of diversity can influence boardroom effectiveness including aspects that have not been explored by previous researchers.

3.4.2 Decision Making versus Conflict between Diverse Members

As noted previously, the effectiveness of decision making is another way of determining the effectiveness of a diverse boardroom. For instance, gender diversity in the boardroom promotes the contribution of diverse knowledge and skills, which is needed to fulfil different criteria in the decision-making process (Lucas-Pérez et al., 2015; Zelechowski and Bilimoria, 2004; Nielsen and Huse, 2010). Ntim (2015) suggests that ethnic and gender diversity can boost decision making, as well as helping firms to link to their external environment in order to obtain resources. Similarly, Anderson et al. (2011) points out that boardroom diversity inspires different points of view in relation to executive activities and this can benefit shareholders due to the presence of greater monitoring. The role of the board is to represent shareholders' beneficial decisions, and, thus, it is important to look at decision making when determining the effectiveness of the boardroom.

Jiraporn et al. (2009) argue that the effectiveness of the board is achieved by its committees, and this view is consistent with that of Kesner (1988) who points out that committee level is the starting point of most of the important decisions that take place in the boardroom. Naturally, decision making by different group members, such as boardroom members, can lead to more discussion. Indeed, Gul et al. (2011) state that diversity in the boardroom contributes to more reporting and the enhanced disclosure of firm wide and board discussions. According to Lucas-Pérez et al. (2015) gender diversity not only enhances boardroom equality but also initiates diverse decision making. Coffey and Wang (1998) argue that women can improve the decision-making process because they are considered less self-interest oriented. This indicates that different diversity types have different contributions to make in the decision-making process.

Different diversity types might produce some conflict across different dimensions. In this context, Hambrick et al. (1996) suggest that team homogeneity is better for speeding-up the decision-making process, because a heterogeneous team may produce more disagreements. This indicates that a diverse boardroom composition might not always lead to boardroom effectiveness. In contrast, Carter et al. (2003) suggest that a diverse boardroom provides more understanding of the marketplace, and enhances creativity and innovation, problem-solving, and the effectiveness of corporate leadership. Therefore, elements that might enhance effectiveness in the boardroom might also initiate conflict in the decision-making process, resulting from different ideological perspectives; different types of diversity (such as gender, age, education, experience, and nationality) might give rise to conflict relating to decision making.

A chairperson is the person who has the power to influence the boardroom, so that it can become effective, by involving other members in the selection process, as well as in other aspects of boardroom decision making. For example, in order for females to contribute to the board effectively, a chairperson must play a vital role in involving them rather than ignoring their input (Kakabadse et al., 2015). Thus, it is vital to consider how boardroom diversity can be dissected and managed.

3.4.3 Risk Management and Internal Controls

The failure of risk management processes was one of the major causes of the global financial crisis of 2008/9. As a result, corporate governance now plays a vital role in a firm's survival, and it should not be ignored. According to Lucas-Pérez et al. (2015) introducing gender diversity into board composition is the first step towards reforming and recovering business reputation, after a previous financial crisis. Davies and Hopt (2013) state that the recent financial crisis proves that shareholders do not have any control over impetuous board actions. Therefore, risk management systems and internal controls need to be in place in the boardroom as part of an ongoing examination of a system's validity and fitness for the future. Internal controls are set up and

enforced by management in most cases, and risk is assessed in the boardroom using a special committee or an audit committee. The financial crisis of 2008/9 highlighted the importance of board composition in the corporate governance process, and the need for change, in order to improve board effectiveness (see Ferrero-Ferrero et al., 2015). An effective board can evaluate if management is aware of risks, and it can put in place internal controls, evaluation needs, expertise, or qualified members in order to identify issues properly.

A study by Chen et al. (2016) shows that gender diversity can enhance boardroom effectiveness. Particularly, it enhances risk management as well as R&D investment. In contrast, Loukil and Yousfi (2016) find that gender diversity does not impact on total risk, R&D investment, growth, or the opportunity for investment. However, they argue that women board members improve board independence and, hence, prevent firms from taking more risk. Due to these inconsistent results, it is important to explore how boardroom diversity and different types of diversity can impact on risk management and internal controls (see Chen et al., 2016).

3.4.4 Boardroom Diversity and Performance

Many scholars put forward different arguments about board diversity as it relates to the performance of the board. Overall, their results in this area are inconclusive. One important indicator used to measure how much benefit is gained from boardroom diversity is the performance of the firm. Most studies that have been undertaken in this context use quantitative methods to test performance related boardroom diversity. Some researchers find a positive impact on a firm's performance (Lucas-Pérez et al., 2015; Campbell and Mínguez-Vera, 2008; Carter et al., 2003; Terjesen et al., 2016; Ferrero-Ferrero et al., 2015; Gordini and Rancati, 2017). In contrast, others find no significant relationship between boardroom diversity and company performance (Rose, 2007; Mahadeo et al., 2012; Carter et al., 2010; Gallego-Álvares et al., 2010). The inconsistency of previous quantitative research led me to explore boardroom diversity and effectiveness.

The relationship between a firm's performance and/or its value in relation to boardroom diversity is examined using different tools of measurement by different scholars. These various methods are used to investigate the impact of diversity from various angles. Accordingly, researchers use different types of diversity, such as age, gender, educational qualifications, ethnicity, and nationality (Campbell and Mínguez-Vera, 2008). Furthermore, they use different tools such as stock price, a firm's market value, and Tobin's Q, for example, to examine performance. A study by Carter et al. (2003) examines performance value and board diversity using the Tobin's Q measurement indicator to find that boardroom diversity is positively significant to a firm's value in the context of the Fortune 1000 US Index. These results are consistent with those of Campbell and Mínguez-Vera (2008) who investigate Spain's

market using panel data percentages for females, and the Blau and Shannon indicator (Tobin's Q) to arrive at the firm's value. They find a positive effect of gender diversity on the boardroom and on company value. Therefore, they suggest that increasing the number of women in the boardroom would bring economic value or gain to the firm. More female board members can mean that the balance between males and females is improved. However, this positive impact of gender diversity on the value of the company is not seen as significant in the opposite scenario (Campbell and Mínguez-Vera, 2008).

Another study by Lucas-Pérez et al. (2015) undertaken in Spain finds that gender diversity has a positive impact with compensations for top managers being linked with a firm's performance. However, this study focuses on gender diversity alone, rather than examining other aspects such as the qualifications or educational background of the females, or their contributions to the boardroom. Mahadeo et al. (2012) suggest that boards with diverse educational backgrounds and gender can improve performance only if both elements are considered. Another recent study in Spain reveals that age differences among boardroom composition positively affects a firm's performance (Ferrero-Ferrero et al., 2015). This study applies a new approach to test age differences, but does not test other types of diversity that could be relevant in the context of generational differences and how they contribute towards boardroom success.

Different contexts apply in different countries in relation to perceived boardroom success. For instance, Ntim (2015) finds that in South Africa, ethnicity is valued more than gender diversity on a board. The study reveals a positive and significant relationship between market valuation, and ethnicity and gender diversity, by using market value as a measure. In this study the market values both ethnicity and gender diversity as a signal for improved independence and monitoring of the board. Thus, context might shed light on different relevant diversity types relating to culture and the market environment. In Terjesen et al. (2016) data from 3,876 firms in 47 countries is looked at to suggest that companies employing women on the board produce better financial performance. Moreover, increased gender diversity enhances a firm's image about the perceived positive ethical behaviour of the company. Additionally, independent directorships are related to better company performance, but this also depends on gender diversity among the board.

Other scholars find no significant relationship between board diversity and a firm's performance. Furthermore, the impact of gender diversity on a firm's performance can be complicated (Adams and Ferreira, 2009). Rose (2007) provides evidence to suggest that gender diversity does not impact on company performance in the context of the composition of the board. Rose (2007) rejects the hypothesis for several reasons based around the use of Tobin's Q as a way of measuring diversity, and argues that diversity is not crucial for good firm performance. One reason cited is that non-controversial board members adopt the norms and behaviour of the leaders of the business. Moreover, income raised by the representation of women on the board

is never realised or indicated by any chosen financial performance measure. This is because electing higher-level leaders or even accessing the boardroom depends on the decision maker's perspective in their society (Rose, 2007). Similarly, when Carter et al. (2010) examined the data of major companies in the US, they found no effect was made by gender diversity and ethnic minority diversity in the boardroom or on important committees in connection with a firm's financial performance (as measured by Tobin's Q and ROA). In fact, there are a lack of studies that test the diversity balance of gender and other types of diversity. This is one reason why the consistency of the diversity effect in the boardroom cannot be discovered, and why there is digression between scholarly findings.

The skills and education of boardroom directors are vital for influencing the board's performance. However, Rose (2007) suggests that educational background has no influence on a firm's board performance. The logical reason behind this is because boardrooms do not use education as a marker of performance, and board posts do not require the holder to have specific formal qualifications. However, human capital is important in managing the boardroom. The election of board members is usually based on past job success, such as CEO or relevant business experience (Rose, 2007). In contrast, Smith et al. (2006) report that the effect of women on a firm's performance mainly depends on the qualifications they hold. However, studies that measure a single member's contribution to boardroom activities are limited (see Gordini and Rancati, 2017). Determining the different types of diversity that contribute to effectiveness in the boardroom is an essential element of this book.

3.5 Boardroom Diversity and Board Effectiveness in the Middle East and North African (MENA) Countries, including Saudi Arabia

The MENA countries consist of 18 different countries, based on the OECD reports of the CG survey; namely, Mauritania, Morocco, Algeria, Tunisia, Libya, Egypt, Djibouti, Jordan, Lebanon, the Palestinian Authority, Iraq, Saudi Arabia, Kuwait, the United Arab Emirates (UAE), Bahrain, Qatar, Oman, and Yemen (OECD, 2019). These countries' GDP was estimated to be about 3.7 trillion US Dollars in 2019 (The World Bank, 2020). Most of the listed companies in these countries are largely dominated by concentrated owners, such as the pyramid ownership structure, family ownership, company group ownership, and government ownership (OECD, 2019). For example, Elamer et al. (2019) found that bank risk disclosure was influenced by the ownership structure as an essential channel, which may affect the CG in MENA countries. Boardroom structure is modelled on the unitary boardroom in 13 countries, and the two-tier boardroom in three countries (OECD, 2019). The report also shows that the size of boards in these countries ranges from three to fifteen members, while the appointment of the board of directors for a single session, ranges from three to six years.

These countries share some commonality and differences in terms of CG reform and leadership (see Kabasakal et al., 2012). For instance, quotas of women on the board and statistical rate disclosure have not yet been adopted in the CG codes of MENA countries, except in the UAE, which required Government ownership only to disclose the number of women on the board in the CG annual report (OECD, 2019).

Regarding board diversity in these countries, several challenges persist, especially for women. For example, by analysing board gender diversity in three MENA countries (Tunisia, Morocco, and Egypt), El Jadidi et al. (2020) reveals that obstacles persist regarding women's representation in the corporate boardroom. These difficulties consist of the traditional culture (e.g., social assumptions and attitudes, family responsibilities, and male domination in the workplace) and the glass ceiling (El Jadidi et al., 2020). These results are consistent with those found in a study by AlHares et al. (2019), which finds that men still dominate the boardrooms in MENA countries. However, when Sarhan et al. (2019) investigated board diversity and executive pay in MENA countries, they found positive associations between diverse gender, nationality, and ethnicity, and company performance; their study reveals that the associations are better in companies with a good CG framework. Similarly, Abdelzaher and Abdelzaher (2019) find that the number of women on the board was positively associated with the ROE and Tobin's Q; this study highlights the legitimacy of increasing the number of women in the Egyptian boardrooms of listed companies after the Arab Spring, as a positive indicator. Issa and Fang (2019) show that boardroom gender diversity is correlated positively with the level of CSR in Bahrain and Kuwait, but that this correlation is weak in other countries, such as in Oman, Saudi Arabia, Qatar and in the UAE; their study concludes that firstly, this is due to discrimination against women and stereotyping at a cultural and business level, and, secondly, that low representation restricted women's contribution to company outcomes and decision-making. Many MENA countries still face challenges regarding gender diversity, despite the benefits that women can bring to boardrooms. For example, another study in MENA countries by Sarhan and Ntim (2019) finds that board diversity (gender and ethnicity) is associated positively with CG voluntary disclosure; the results of this study are consistent with those of AlHares et al. (2019), who find that board gender diversity is positively associated with voluntary disclosure. It is important to address these challenges, as part of investigating different types of diversity.

In Tunisian listed companies, Loukil and Yousfi (2016) find that women are positively associated with risk avoidance, as measured by the cash ratio; this study also finds no association between gender diversity and a tendency to take greater risks, either financially or strategically. Further, Loukil and Yousfi (2016) observes that investors from overseas did not invest in companies with gender diversity. On the other hand, a study by Alhejji et al. (2018) which explores gender inequality in British multi-national corporations operating in the Middle East, particularly in Saudi Arabia, finds that, although formal institutions seek to promote gender equality, informal

forces, such as culture, traditions, and norms, solidly oppose these attempts. Overall, eastern countries continue to be an understudied region, and transferring Western diversity practices to non-Western areas remains challenging (Lauring, 2013).

There is still a paucity of studies on the different types of diversity (e.g., age and educational background, etc.). In Jordan, a study by Makhlouf et al. (2018) reports that board diversity in terms of gender, educational level, and nationality is positively associated with accounting conservatism, except for age diversity, for which they failed to find an association. Furthermore, a study by Ibrahim and Hanefah (2016) conducted in Jordan, finds that board diversity variables, consisting of gender, age, independence, and nationality, are positively associated with CSR disclosure level. However, there remains a lack of research on boardroom diversity of various types and aspects which seeks to understand its contribution to these regions (see Sarhan et al., 2019). A review of research about boardroom diversity highlights this issue as a target for future research (Khatib et al., 2021b; Khatib et al., 2021a; Kent Baker et al., 2020).

A qualitative study by Alshareef and Sandhu (2015), based on a case study using interviews with two companies in Saudi Arabia, examines board diversity in regard to CSR adoption; this study highlights the importance of boardroom diversity regarding experience types, educational level, functional background, and knowledge and skills. Moreover, Alshareef and Sandhu (2015) suggest that board diversity is vital for enhancing boardroom effectiveness, and the board's monitoring, strategies, and services roles. However, Alshareef and Sandhu (2015) fail to consider factors such as age, gender, nationality diversity, and a range of different companies, as it is limited to only two companies. Hodges (2017) conducts interviews with twenty-five professional women in Saudi Arabia to examine the barriers which prevent women from attaining leadership positions; this study finds that women face cultural, social, religious, and organisational barriers, and that these boundaries should be taken into consideration in order to develop policies that prevent inequality with regard to women assuming leadership positions. Naif and Ali (2019) is a comparison study of the CG code in Saudi and Malaysia, which finds that, while the former has vastly improved, gender diversity is still lacking. Another recent study by Al-Matari and Alosaimi (2022) focuses in gender diversity only while ignoring other attributes of diversity, but suggests the importance of using a marketing-based indicator (e.g. Tobin's Q) to test for gender diversity in future research.

3.6 Summary

This chapter began with the presentation of different definitions of CG, identifying the definition most suitable for this book. In this context, the importance of the board of directors as a mechanism of CG was explored. The chapter then moved on to a discussion about the roles and duties of board members, sub-committees, and the protection of shareholder's funds. It reviewed board composition and selection as

well as other factors that influence CG, such as power over appointments, ownership, and the role of the chairperson. After this, the chapter began to explore the main topic of the study which is board diversity, offering a definition of this concept and background information. Six types of boardroom diversity were identified for focus as part of the current monograph. Previous studies relating to board diversity and effectiveness were discussed, as well as different effectiveness mechanisms, and studies relating to diversity and company performance. Finally, previous research undertaken in MENA countries was examined, with a focus on the context of Saudi Arabia, noting the lack of research in this field in emerging economies, and particular in the Kingdom of Saudi Arabia.

4 Academic Theories that Commonly Address Boardroom Diversity

4.1 Introduction

Many theories have been developed to interpret corporate governance as it relates to boardroom diversity, including: agency theory, social capital theory, and resource dependency theory, etc. This chapter will briefly discuss the most important academic theories in this field.

4.2 Agency Theory

Agency theory refers to a contract between two parties, where one party is 'the agent', who works for another party, who is 'the principal' (Fama and Jensen, 1983; Jensen and Meckling, 1976). The principal is the owner or the shareholder/s, but it can also be the debt holder/s (Rankin et al., 2012). Agents usually comprise the management or directors of the organisation. Based on this relationship, a bonus plan, a bonus plan hypothesis, and an agency problem can be defined. An agency problem can evolve from different elements, such as information asymmetry and/or a conflict of interests between both parties. Conflict usually arises because humans are self-interested and seek to satisfy personal interests (Daily et al., 2003). This kind of conflict can generate agency costs, which can cover continuing losses, bonding costs, and oversight costs (Jensen and Meckling, 1976). Monitoring costs are the costs incurred via observing and controlling the behaviour of the agent by the principals (Rankin et al., 2012). One important monitoring and controlling mechanism is the board of directors (Walsh and Seward, 1990).

The board of directors enhances its monitoring function using the independence of management (Fama and Jensen, 1983). Many scholars argue that board diversity can enhance monitoring (Byoun et al., 2016; Upadhyay and Zeng, 2014; Hillman and Dalziel, 2003; Alexander, 2016), while others support the assumption that boardroom diversity enhances independence and quality control (Carter et al., 2007; Terjesen et al., 2015). However, some factors are important to consider when evaluating diversity, such as ownership, because board independence sometimes relates to ownership structure (Ben-Amar et al., 2013). In some cases, the board can be influenced by agents and by concentrated ownership, and, thus, it can lose its independence, because agents or owners strive to serve their self-interest rather than the interests of minority shareholders. However, boards that operate good monitoring systems and have greater levels of independence can reduce agency costs and can perform a vital role in corporate governance. Diversity in the boardroom should work to boost the monitoring and independence function. Indeed, boardroom effectiveness allows

https://doi.org/10.1515/9783110741735-004

firms to overcome agency problems and reduce agency costs. Agency theory is examined in the following studies: Adams et al. (2010), Abdullah (2014), Alexander (2016), Carter et al. (2007), Ben-Amar et al. (2013), and Terjesen et al. (2015).

4.3 Social Capital Theory

Social capital theory (SCT) is widely used across many disciplines, but it is often viewed and defined differently among scholars. Indeed, different academic disciplines drive the different definitions of SCT. Generally, SCT is defined as sharing and making use of the value norms of diverse individuals in order to solve current and future problems (Ostrom, 2009). According to Franke (2005) SCT can be used to examine social cohesion, confidence, reciprocity, and institutional effectiveness. One of the most important aspects of SCT is its ability to examine social networks (Coleman, 1988). Thus, based on these definitions, SCT can be used to explain the interactions of social individuals (e.g., their norms, networks, and cohesion etc.), and it can be used to examine the effectiveness of groups. Hence, SCT might be a suitable theory to look at when seeking to examine interactions between diverse boardroom members, and the effects of diversity on boardroom effectiveness and on corporate governance.

Yangmin and Cannella Jr (2008) explain that social capital can influence the selection of board directors on both an individual level and on a group level. On an individual level, the selection of a director might be made due to his/her connections with others within and outside of the company. On a group level, board effectiveness might be influenced by the social capital of the board based on business and social relationships and on the resources that can be gained from those relationships. In a recent study by Ooi et al. (2015) about tourism firms in four Asian countries, social capital was significantly and positively related to boardroom diversity and company performance. Moreover, Ooi et al. (2015) suggest that new boardroom recruits should be hired based on the benefits of diverse social capital rather than human capital, but they also argue that an over-diversified board can have a significant negative impact on company performance.

According to Carpenter and Westphal (2001) social capital can be linked to a company's strategic knowledge and can be a vital contributor to good corporate governance. In summary, SCT be used to explain the selection of board directors, and associated factors such as resources, and how the relationships of directors can influence the effectiveness of the boardroom and corporate governance.

4.4 Resource Dependency Theory

Boardroom diversity can be explained using resource dependency theory to interpret research findings. RDT views board members as a channel that links the organisation with external resources, in order to address the organisation's environmental needs (Pfeffer and Salancik, 1978; Pfeffer, 1973). However, this theory also looks to explain board diversity rather than being concerned with barriers relating to increasing boardroom diversity. Although agency theory is widely used to study boardroom dynamics, RDT has been more successful for examining empirical evidence in relation to boardrooms (Hillman et al., 2009). This is because RDT looks at board member characteristics, and, thus, employs a different perspective from agency theory. Pfeffer and Salancik (1978) suggest that board members can bring four benefits to a firm, namely: advice, access to resources, legitimacy, and providing connective channels between information and the contingent environment. These benefits can be gained due to a variety of diverse boardroom characteristics.

RDT looks at a variety of different characteristics, such as: background education, gender, age, expertise, and nationality, and these characteristics create networks and connections to boost a company's performance (Alexander, 2016). In the case of gender diversity, RDT views female directors as unique and valuable resources in the boardroom, who can enhance a company's performance (Terjesen et al., 2016). Moreover, if boardroom gender is diversified, then this can impact positively on the independence of the board of directors and work towards creating a positive company performance (ibid.). It can be noted that RDT often focuses on board diversity from the firm's economic outcome perspectives (Reddy and Jadhav, 2019).

4.5 Summary

This chapter has reviewed the most commonly used academic theories of corporate governance, as they are applicable to the issue of boardroom diversity, and as they are applicable to the current book topic. The next chapter will demonstrate the data methodology, analysis, and results of the study on which this monograph is drawn.

5 Secondary Data Results

5.1 Introduction

This chapter explains the methodology employed for the research, as well as providing a statistical relationship analysis of the descriptive data results. Descriptive data collected from the Saudi market provided exploratory insight into the market. This research examined 1,454 and 1,575 board members, from 176, 201 firms, for the years 2016 and 2021 respectively. It is worth mentioning it was not possible to collect some data for firms and board members, especially in relation to the year 2016, due to a lack of disclosure from some companies. Overall, it was possible to test 201 companies but, for some tests, it was only possible to examine 96 companies. Therefore, the sample size varied between companies across the different tests and variables (see Table 5.1). Tables 5.2 and 5.3 show the statistical analysis results for the continuous variables.

Table 5.1: Sample Size for Diversity Variables (2016 and 2021).

	2021		2016	
	N		N	
	Valid	Missing	Valid	Missing
Diploma or lower	**201**	**1**	**101**	**78**
First degree	**201**	**1**	**101**	**78**
Postgrad degree	**201**	**1**	**101**	**78**
Female	**202**	**0**	**176**	**3**
Male	**202**	**0**	**176**	**3**
Foreign	**202**	**0**	**176**	**3**
Saudi	**202**	**0**	**176**	**3**
Accounting & Finance	**201**	**1**	**98**	**81**
Engineering	**201**	**1**	**98**	**81**
Computing & Science	**201**	**1**	**98**	**81**
Management & Business	**201**	**1**	**98**	**81**
Marketing & Economic	**201**	**1**	**98**	**81**
Law	**201**	**1**	**98**	**81**
Others	**201**	**1**	**98**	**81**
Age < 40 Y	**191**	**11**	**–**	**–**
Age (40 to 60 Y)	**191**	**11**	**–**	**–**

https://doi.org/10.1515/9783110741735-005

Table 5.1 (continued)

	2021		2016	
	N		N	
	Valid	Missing	Valid	Missing
Age > 60 Y	**191**	**11**	–	–
Experience < 20 Y	**193**	**9**	–	–
Experience (20 to 30 Y)	**193**	**9**	–	–
Experience 31 Y & >	**193**	**9**	–	–

Table 5.2: Statistical Analysis of the Continuous Variables (2016).

	N		Mean	Std. Error of Mean	Median	Std. Deviation	Minimum	Maximum
	Valid	Missing						
Board Size	176	3	8.27	0.115	9.00	1.521	4	11
Average Pay	135	44	232601	13510	200000	156975	46702	1313571
Foreign Ownership	177	2	5.2407	0.7121	1.4800	9.4742	0	42.5700
Family Ownership	175	4	5.5111	0.8712	0	11.5243	0	95.0000
Institutional Ownership	171	8	31.1296	1.8905	31	24.7212	0	83.7700
Performance	171	8	0.0452	0.0062	0.0371	0.0813	–0.4849	0.2849
Firm Size	171	8	6.4448	0.0607	6.2850	0.7934	4.9108	8.6449
Leverage	171	8	0.1613	0.0089	0.1613	0.1163	0.0045	0.6567
Tobin's Q	171	8	1.5848	0.0592	1.3162	0.7739	0.5289	4.7710

Table 5.3: Statistical Analysis of the Continuous Variables (2021).

	N		Mean	Std. Error of Mean	Median	Std. Deviation	Minimum	Maximum
	Valid	Missing						
Board Size	202	0	7.80	0.124	8.00	1.760	3	11
Foreign Ownership	202	0	6.40069	0.60912	3.285	8.65727	0	54.08
Family Ownership	202	0	6.72183	0.98014	0	13.93036	0	95.00

Table 5.3 (continued)

	N		Mean	Std. Error of Mean	Median	Std. Deviation	Minimum	Maximum
	Valid	Missing						
Government Ownership	202	0	5.36609	1.06058	0	15.07362	0	98.18
Companies Ownership	202	0	15.60030	1.44098	0	20.48024	0	79.99
Performance	198	4	0.02458	0.00870	0.03	0.12245	−1.40611	0.275
Firm Size	198	4	9.40344	0.05677	9.26382	0.79888	7.58859	12.28
Leverage	198	4	0.12618	0.01066	0.06333	0.15005	0	0.615
Tobin's Q	198	4	2.08828	0.15203	1.37766	2.13923	0.04631	18.73

5.2 Secondary Data Methods

According to guidelines issued by Bryman and Bell (2015), Robinson (2002), Neuman (2000), and Saunders et al. (2009), secondary data collected is usually divided into different categories and classifications. For example, Saunders et al. (2009) divide secondary data into three sub-groups as follows: documentary data, survey-based data, and multiple sources. Documentary data includes written materials (e.g., reports to shareholders, meeting minutes, books, and newspapers, etc.) Bryman and Bell (2015) explain that data can include a firm's statements which can be used to create statistical data. Studies by Robinson (2002), and Saunders et al. (2009) explain that data can also include non-written documentation such as pictures, videos, and voice recordings. The documentary data that applies to this research is secondary data, because it consists of written documents such as firms' reports, board reports, and firms' websites.

Kabanoff et al. (1995) employ a broad range of organisational data to study the value and composition of leadership in companies. Furthermore, Hakim (1982) recommends that a secondary data analysis helps the researcher get closer to the theory and to the aims and question of the research. Also, secondary data methods enable users to produce what is called 'triangulation', which can improve research findings and the reliability of primary data methods (Insch et al., 1997; Cowton, 1998). Furthermore, online access makes this a low-cost option (Hakim, 1982), although, sometimes, combined data sets are not affordable. Secondary data sources also give an indication of what has happened over a certain period of time, whereas data collected by questionnaire or interview only provides information on recall (Harris, 2001). Thus, applying a secondary data collection and analysis adds practical value to achieve the aims of the research at little cost.

For the purposes of this book, the required documentary data was found on the website www.tadawul.com.sa. All the data variables used in this book can be found

on this website: the data comprises financial statements, board reports, and company profiles. This is a public website, and it requires no special access permissions. This approach saved time and money for the researcher because no charges were required to access this public data, and no travel costs were incurred in collecting this data. Easy access to this data enabled the researcher to devote enough time towards collecting qualitative data. According Saunders et al. (2009) one advantage of using secondary data is that the researcher might discover unexpected results that are undiscoverable by using primary qualitative data collection methods alone.

5.3 The Collection and Analysis of Secondary Data

Descriptive data was collected from the Saudi Stock Market in order to provide exploratory insight into the market. The researcher examined 1,454 board members from 176 firms for the year 2016/17 to check diversity types relating to: gender, nationality, qualification levels, and educational background. Also, 201 companies and 1,575 board members were examined for 2021 for diversity types relating to: gender, nationality, qualification levels, educational background, age, and experience. This allowed the researcher to expand the data sample and compare changes to the Saudi boardroom over five years. The population sample used was quite similar to that used in the study by Mahadeo et al. (2012), which examines firms in Mauritius, but only checks 371 board members from 39 firms; and a study by Kang et al. (2007) which samples 100 firms on the Australian Stock Market, and 820 board members in total.

The data used in the current research was collected from company profiles listed on the Saudi Stock Market, Tadawul. Moreover, the researcher used DataStream databases to obtain the firms' performance measures, and to speed-up the collection procedure. Additionally, Excel and SPSS programmes were used to analyse the collected data. Diversity types were tested for correlation coefficients against firm variables, such as: average pay, foreign ownership, family ownership, institutional ownership, firm size, performance, leverage, IND, and Tobin's Q. Moreover, board size was classed as a dependent variable according to guidance from (Kang et al., 2007; Mahadeo et al., 2012). Nominal variables such as member classification, sectors, and regions were tested for differences against all the above-mentioned variables. All variables used for the measurements are shown in (Appendix 1). An analysis of the data collected is presented in this chapter (see also Appendix 2–3 correlation table).

5.4 Data and Statistical Analysis Tests

Firstly, data was collected about individual directors in order to provide deep insight. The researcher found that it was not possible to compare the directors' personal attributes (i.e., education, nationality etc.) against a firm's attributes (e.g., firm per-

formance). This was because company performance is a company attribute and not an individual attribute. Therefore, the data was collected at an individual firm level, using the content of each variable (called the continuous variable). For example, a firm could have a board comprising the following director attributes: three foreign directors, one female director, one director with a diploma or lower, four with a first degree, five with a postgraduate degree, three aged 40 to 60 years, three with experience of 20 to 30 years, etc. This made it possible to test the data using a correlation coefficient.

Non-parametric tests (e.g., Spearman's RHO correlation coefficient) were used to examine the data. The main reason for this was that data was tested for normality (i.e., using the Kolmogorov-Smirnov and Shapiro-Wilk tests), which resulted in a significant coefficient in the current dataset. This means that, if the test results are significant ($P<.05$), then the variable is not normally distributed (Shapiro and Wilk, 1965; Razali and Wah, 2011). The researcher used the non-parametric Kruskal-Wallis test, which is a popular method used for testing nominal variables, including such classifications as sectors, and regions etc., against diversity types. Another reason for using a non-parametric test was to take into account non-continuous data; i.e., 'ordinal data'. The Kruskal-Wallis test was undertaken in order to discover significant differences between the nominal variables and diversity types, such as gender, nationality, qualification levels, and educational background. For the 2021 data, it was possible to add age and experience variables to take account of maturity that took place in the Saudi market, which led to more disclosure.

In order to undertake extensive data analysis, the diversity variables were transformed, in some tests, into categorical variables. As stated above, the researcher used continuous variables to test for a correlation coefficient using Spearman's RHO (r_s) test, to see if the increase/decrease in each diversity variable impacted on the firm's variables. The researcher also applied categorical variables in other tests, such as the Chi-square method, using 0/1 (e.g., 0 = No Females and 1 = At Least One Female) in order to assess the relationship between the categorical variables. This made it possible to test levels of different diversity types according to board size, which will be discussed in more detail in the sections below.

5.5 Descriptive Data Analysis (Frequency)

For this study, gender was classified into two categories (male and female). The gender categories were collected from the Saudi market in relation to 1,454 and 1,575 board members, from 176 and 201 firms, for the years 2016 and 2021 respectively. For the year 2016, Table 5.4 shows that 94.9% of the companies researched did not have females serving in the boardroom, and 5.1% of the companies had one female in the boardroom. The percentage frequency of a boardroom composition of nine board members was the highest. Table 5.5 demonstrates a slight increase in female board

members for the year 2021, but the highest frequency of nine board members stays the same. Females were not represented in the boardroom of about 86.1% of the companies examined, and over the time period examined, the number of females serving on a board only ever increased by three women in a single boardroom. However, an overall rise in females serving on boards was noted, rising to 13.9% from 5.1% in 2016.

Table 5.4: Frequency and Percentage of Male and Female Board Members Across Companies (2016).

		Males			Females		
		Freq.	%	Valid %	Freq.	%	Valid %
Valid	**0.0**	–	–	–	167	93.3	94.9
	1.0	–	–	–	9	5.0	5.1
	4.0	3	1.7	1.7	–	–	–
	5.0	7	3.9	4.0	–	–	–
	6.0	10	5.6	5.7	–	–	–
	7.0	38	21.2	21.6	–	–	–
	8.0	26	14.5	14.8	–	–	–
	9.0	64	35.8	36.4	–	–	–
	10.0	18	10.1	10.2	–	–	–
	11.0	10	5.6	5.7	–	–	–
	Total	176	98.3	100.0	176	98.3	100.0
Missing		3	1.7		3	1.7	
Total		179	100.0		179	100.0	

Table 5.5: Frequency and Percentage of Male and Female Board Members Across Companies (2021).

		Males			Females		
		Freq.	%	Valid %	Freq.	%	Valid %
Valid	**0.0**	–	–	–	174.0	86.1	86.1
	1.0	–	–	–	25.0	12.4	12.4
	2.0	–	–	–	2.0	1.0	1.0
	3.0	3.0	1.5	1.5	1.0	0.5	0.5
	4.0	7.0	3.5	3.5	–	–	–
	5.0	20.0	9.9	9.9	–	–	–
	6.0	19.0	9.4	9.4	–	–	–
	7.0	40.0	19.8	19.8	–	–	–

Table 5.5 (continued)

		Males			Females		
		Freq.	**%**	**Valid %**	**Freq.**	**%**	**Valid %**
	8.0	32.0	15.8	15.8	–	–	–
	9.0	62.0	30.7	30.7	–	–	–
	10.0	13.0	6.4	6.4	–	–	–
	11.0	6.0	3.0	3.0	–	–	–
	Total	202	100	100	202	100	100
Missing		0	0		0	0	
Total		202	100		202	100	

Nationality was classified into two categories (Saudi and Foreign). These nationality categories were collected from data relating to the Saudi market for 1,454 and 1,575 board members, from 176 and 201 firms, for the years 2016 and 2021, respectively. Table 5.6 shows that, for the year 2016, 73.3% of the companies examined did not have a foreign board member, while the maximum number of foreign members serving in a single boardroom was four. The greatest frequency of foreign members ranged from one to four, at 13.1%, 5.7%, and 5.1%, and 2.8%, respectively. Table 5.7 shows the slight increase in foreign board members for the year 2021. Companies that did not have a foreign board member decreased to 65.8% (from 73.3% in 2016). Also, the maximum number of foreign board members in a single boardroom was five, rather than four (as recorded in 2016). The highest frequencies recorded for foreign board members varied between one to five, at 16.3%, 7.9%, 5%, 4% and 1%, respectively.

Table 5.6: Frequency and Percentage of Saudi and Foreign Board Members Across Companies (2016).

		Saudis			Foreigners		
		Freq.	**%**	**Valid %**	**Freq.**	**%**	**Valid %**
Valid	**0**	–	–	–	129	72.1	73.3
	1	–	–	–	23	12.8	13.1
	2	–	–	–	10	5.6	5.7
	3	1	.6	.6	9	5.0	5.1
	4	6	3.4	3.4	5	2.8	2.8
	5	10	5.6	5.7	–	–	–
	6	20	11.2	11.4	–	–	–
	7	43	24.0	24.4	–	–	–

Table 5.6 (continued)

		Saudis			Foreigners		
		Freq.	**%**	**Valid %**	**Freq.**	**%**	**Valid %**
	8	26	14.5	14.8	–	–	–
	9	49	27.4	27.8	–	–	–
	10	12	6.7	6.8	–	–	–
	11	9	5.0	5.1	–	–	–
	Total	176	98.3	100.0	176	98.3	100.0
Missing		3	1.7		3	1.7	
Total		179	100		179	100	

Table 5.7: Frequency and Percentage of Saudi and Foreign Board Members Across Companies (2021).

		Saudis			Foreigners		
		Freq.	**%**	**Valid %**	**Freq.**	**%**	**Valid %**
Valid	**0**	–	–	–	133.0	65.8	65.8
	1	–	–	–	33.0	16.3	16.3
	2	–	–	–	16.0	7.9	7.9
	3	7.0	3.5	3.5	10.0	5.0	5.0
	4	13.0	6.4	6.4	8.0	4.0	4.0
	5	24.0	11.9	11.9	2.0	1.0	1.0
	6	28.0	13.9	13.9	–	–	–
	7	42.0	20.8	20.8	–	–	–
	8	30.0	14.9	14.9	–	–	–
	9	42.0	20.8	20.8	–	–	–
	10	11.0	5.4	5.4	–	–	–
	11	5.0	2.5	2.5	–	–	–
	Total	202	100	100	202	100	100
Missing		0	0		0	0	
Total		202	100		202	100	

Qualifications were classified into three categories (diploma or lower, first degree, and post-graduate degree). These education levels were collected from data available on the Saudi market for 709 board members from 101 firms, for the year 2016; and

1,490 board members from 201 firms, for the year 2021. The directors' education was exclusive, which means that the researcher only recorded the highest or last qualification level of the serving directors (prior qualifications were not recorded). Table 5.8 shows that, in 2016, 73.3% of the companies with valid data did not employ anyone with a diploma or lower degree in their boardroom, while only 6.9% and 7.9% of the companies did not have anyone on the board with a first degree or a post-graduate degree. This situation was different in 2021, by which time the education level of board members had developed. Table 5.9 shows that in 2021, 79.1% of company boardrooms did not employ anyone with only a diploma or lower degree, while 2% and 6% of companies did not have anyone on the board with a first or post-graduate degree, separately. The highest frequency of board composition for 2016 recorded as one board member with a diploma or lower degree, 21.8% of companies with four board members who held a first degree, and in 22.8% of the companies, three board members had a post-graduate degree. The same highest frequency was recorded in 2021, for a diploma or lower degree. However, in 2021, three board members had a first degree, at 22.9%. In 25.9% of the companies, three board members had a post-graduate degree.

Table 5.8: Frequency and Percentage of Board Members Holding a Diploma or Lower, First Degree, and Post-Graduate Degree Across Companies (2016).

		Diploma or Lower			First Degree			Postgraduate Degree		
		Freq.	%	Valid %	Freq.	%	Valid %	Freq.	%	Valid %
Valid	0	74	41.3	73.3	7	3.9	6.9	8	4.5	7.9
	1	18	10.1	17.8	11	6.1	10.9	18	10.1	17.8
	2	7	3.9	6.9	10	5.6	9.9	15	8.4	14.9
	3	1	.6	1.0	19	10.6	18.8	23	12.8	22.8
	4	1	.6	1.0	22	12.3	21.8	21	11.7	20.8
	5	–	–	–	12	6.7	11.9	8	4.5	7.9
	6	–	–	–	6	3.4	5.9	6	3.4	5.9
	7	–	–	–	8	4.5	7.9	2	1.1	2.0
	8	–	–	–	5	2.8	5.0	–	–	–
	11	–	–	–	1	.6	1.0	–	–	–
	Total	101	56.4	100.0	101	56.4	100.0	101	56.4	100.0
Missing		78	43.6		78	43.6		78	43.6	
Total		179	100.0		179	100.0		179	100.0	

Table 5.9: Frequency and Percentage of Board Members Holding a Diploma or Lower, First Degree, and Post-Graduate Degree Across Companies (2021).

		Diploma or Lower			First Degree			Postgraduate Degree		
		Freq.	%	Valid %	Freq.	%	Valid %	Freq.	%	Valid %
Valid	**0**	159	78.7	79.1	4	2	2	12	5.9	6
	1	32	15.8	15.9	21	10.4	10.4	15	7.4	7.5
	2	4	2	2	32	15.8	15.9	31	15.3	15.4
	3	6	3	3	46	22.8	22.9	52	25.7	25.9
	4	–	–	–	42	20.8	20.9	36	17.8	17.9
	5	–	–	–	23	11.4	11.4	26	12.9	12.9
	6	–	–	–	20	9.9	10	12	5.9	6
	7	–	–	–	13	6.4	6.5	13	6.4	6.5
	8	–	–	–	–	–	–	2	1	1
	9	–	–	–	–	–	–	2	1	1
	Total	201	99.5	100	201	99.5	100	201	99.5	100
Missing		1	0.5		1	0.5		1	0.5	
Total		202	100		202	100		202	100	

Educational background was classified into seven categories, as follows: Accounting and Finance, Engineering, Law, Computing and Science, Marketing and Economics, Management and Business, and Other. These background categories were devised using the Saudi market for 685 board members from 98 firms, for the year 2016; and for 1,480 board members from 201 firms for the year 2021. Those classed as belonging to the 'Other' background category comprised those with a high school diploma or lower qualification, or those who had religious, medical, agricultural, education, aviation, mass media, and arts backgrounds. Table 5.10 shows that in 2016 board members serving in more than 50% of the companies researched had either an Engineering, Management and Business, Other, or Accounting and Finance background. In 2016, board members serving in less than 50% of the companies had a Marketing and Economics, Law and Computing and Science background. This situation was the same in 2021, as shown in Table 5.11. The highest frequency for 2016/2021 in all backgrounds was recorded for one member serving on the board at a single company. In 2016, board members who had an Engineering background counted in two instances. In 2021, two instances of members who had a Management and Business background were also noted.

Table 5.10: Frequency and Percentages for the Educational Backgrounds of Board Members (2016).

		Engineering		Management & Business		Others		Accounting & Finance		Marketing & Economic		Law		Computing & Science	
		Freq.	Valid %	Freq.	Valid %	Freq.	Valid %	Freq.	Valid %	Freq.	Valid %	Freq.	Valid %	Freq.	Valid %
Valid	**0**	31	31.6	14	14.3	38	38.8	46	46.9	59	60.2	77	78.6	65	66.3
	1	18	18.4	22	22.4	32	32.7	32	32.7	25	25.5	18	18.4	27	27.6
	2	27	27.6	16	16.3	17	17.3	18	18.4	10	10.2	2	2.0	6	6.1
	3	15	15.3	19	19.4	6	6.1	1	1.0	4	4.1	1	1.0	–	–
	4	4	4.1	19	19.4	3	3.1	1	1.0	–	–	–	–	–	–
	5	1	1.0	3	3.1	2	2.0	–	–	–	–	–	–	–	–
	6	2	2.0	5	5.1	–	–	–	–	–	–	–	–	–	–
	Total	98	100	98	100	98	100	98	100	98	100	98	100	98	100
Missing		81		81		81		81		81		81		81	
Total		179		179		179		179		179		179		179	

Table 5.11: Frequency and Percentages for the Educational Backgrounds for Board Members (2021).

		Engineering		Management & Business		Others		Accounting & Finance		Marketing & Economic		Law		Computing & Science	
		Freq.	Valid %	Freq.	Valid %	Freq.	Valid %	Freq.	Valid %	Freq.	Valid %	Freq.	Valid %	Freq.	Valid %
Valid	0	73	36.3	12	6.0	70	34.8	66	32.8	121	60.2	155	77.1	146	72.6
	1	73	36.3	29	14.4	76	37.8	68	33.8	50	24.9	40	19.9	44	21.9
	2	32	15.9	50	24.9	33	16.4	45	22.4	24	11.9	6	3.0	11	5.5
	3	16	8.0	45	22.4	17	8.5	17	8.5	4	2.0	–	–	–	–
	4	5	2.5	24	11.9	4	2.0	4	2.0	2	1.0	–	–	–	–
	5	2	1.0	22	10.9	1	0.5	1	0.5	–	–	–	–	–	–
	6	–	–	18	9.0	–	–	–	–	–	–	–	–	–	–
	7	–	–	1	0.5										
	Total	201	100	201	100	201	100	201	100	201	100	201	100	201	100
Missing		1		1		1		1		1		1		1	
Total		202		202		202		202		202		202		202	

Age was classified into three groups (40 years of age or younger, between 40 to 60 years, and more than 60 years old). These ages were collected from data available on the Saudi market for 1,349 board members, from 191 firms, for the year 2021. There was no availability of data in this category for the year 2016. Table 5.12 shows that only about 0.52% of companies did not employ anyone between 40 and 60 years of age in their boardroom, while 39.27% and 29.84% of companies did not employ anyone on the board aged younger than 40 years, and more than 60 years old respectively. This shows that the dominant age group of serving directors was between 40 to 60 years; most boardrooms hired directors in this age group. It was noted that directors of 40 years old and younger were represented in lower numbers.

Table 5.12: Frequency and Percentages for Board Members in the Age Groups of Younger than 40 Years Old, 40 to 60 Years, and more than 60 Years Old (2021).

		Age < 40 Y			Age (40 to 60 Y)			Age > 60 Y		
		Freq.	%	Valid %	Freq.	%	Valid %	Freq.	%	Valid %
Valid	**0**	75	37.13	39.27	1	0.50	0.52	57	28.22	29.84
	1	69	34.16	36.13	10	4.95	5.24	45	22.28	23.56
	2	24	11.88	12.57	22	10.89	11.52	33	16.34	17.28
	3	17	8.42	8.90	31	15.35	16.23	28	13.86	14.66
	4	4	1.98	2.09	43	21.29	22.51	13	6.44	6.81
	5	1	0.50	0.52	36	17.82	18.85	9	4.46	4.71
	6	1	0.50	0.52	22	10.89	11.52	6	2.97	3.14
	7	–	–	–	18	8.91	9.42	–	–	–
	8	–	–	–	3	1.49	1.57	–	–	–
	9	–	–	–	5	2.48	2.62	–	–	–
	Total	191	94.55	100	191	94.55	100	191	94.55	100
Missing		11	5.45		11	5.45		11	5.45	
Total		202	100		202	100		202	100	

Experience was classified into three categories (not more than 20 years, between 20 to 30 years, and those having 31 years of experience and more). These experience categories were collected from data relating to the Saudi market for 1,363 board members from 193 firms for the years 2021. There was no availability of data in this category for the year 2016. Table 5.13 shows that directors with no more than 20 years of experience recorded lower representation in Saudi boardrooms. The older age groups dominated the market. Those with experience of 31 years and more recorded as the majority of directors in Saudi boardrooms.

Table 5.13: Frequency and Percentages for Board Members with Experience of no more than 20 years, 20 to 30 years, and more than 30 Years of Experience (2021).

		Experience < 20 Y			Experience (20 to 30 Y)			Experience 31 Y & >		
		Freq.	%	Valid %	Freq.	%	Valid %	Freq.	%	Valid %
Valid	**0**	48	23.76	24.87	16	7.92	8.29	22	10.89	11.40
	1	54	26.73	27.98	45	22.28	23.32	41	20.30	21.24
	2	39	19.31	20.21	40	19.80	20.73	33	16.34	17.10
	3	27	13.37	13.99	40	19.80	20.73	20	9.90	10.36
	4	18	8.91	9.33	34	16.83	17.62	28	13.86	14.51
	5	5	2.48	2.59	13	6.44	6.74	24	11.88	12.44
	6	2	0.99	1.04	4	1.98	2.07	14	6.93	7.25
	7	–	–	–	1	0.50	0.52	8	3.96	4.15
	8	–	–	–	–	–	–	2	0.99	1.04
	9	–	–	–	–	–	–	1	0.50	0.52
	Total	193	95.5	100	193	95.54	100	193	95.54	100
Missing		9	4.5		9	4.46		9	4.46	
Total		202	100		202	100		202	100	

Table 5.14 shows how many females and male directors were either Saudi or foreign, together with their educational qualifications, for the year 2016. Table 5.15 shows data in this category for 2021, with added age and experience categories. It was observed that in 2016, 66.67% of female directors held a postgraduate degree. The 2021 data shows that females with postgraduate degrees were slightly more represented at director level than those with a first degree. Based on the available data for both years, foreign directors who held a higher education degree were somewhat more represented on Saudi boards. Most of the less educated directors were from Saudi Arabia. The 2021 data for age and experience showed that Saudi and foreign directors were dominant in the market. However, this was not the case among female directors who were more highly represented in the younger age group, and lower experience groups.

Table 5.14: Intersection of Different Diversity Categories for 2016.

Numbers	**Male**	**Female**	**Saudi**	**Foreign**
	1445	**9**	**1362**	**92**
Diploma or lower	39	0	38	1
First degree	376	3	362	17

Table 5.14 (continued)

Numbers	Male	Female	Saudi	Foreign
	1445	**9**	**1362**	**92**
Postgraduate	285	6	267	24
Saudi	1355	7		
Foreign	90	2		

Table 5.15: Intersection of Different Diversity Categories for 2021.

Numbers	Male	Female	Saudi	Foreign
	1545	**30**	**1441**	**134**
Diploma or lower	57	0	56	1
First degree	711	11	666	51
Postgraduate	692	19	648	59
Saudi	1379	28		
Foreign	132	2		
Age < 40 Y	194	13	199	8
Age (40 to 60 Y)	835	6	793	47
Age > 60 Y	330	5	303	29
Experience < 20 Y	322	14	322	12
Experience (20 to 30 Y)	479	5	449	33
Experience 31 Y & >	566	6	527	42

5.6 Gender

The 2016 data revealed that nine (0.6%) females served as Saudi board members in comparison to 1,445 (99.4%) males. The number of female board members (0.6% < 1%) was so low that it was not possible to undertake a statistical comparison with males. However, Figure 5.1 compares these percentages with the gender of investors, where 21% were found to be female, and 79% male. This comparison was made in order to establish the proportion of female directors working in the boardrooms of companies invested in by females. However, by 2021, the proportion of female board members had grown to reach 30 (2%), in comparison with 1,545 (98%) males. Although this increase in serving female directors is small, the Saudi market has not witnessed

this kind of increase since the appointment of the first woman director in 2007. This increase is believed to be due to reforms undertaken in Saudi Arabia as part of its Vision 2030 project. Figure 5.2 compares the percentage of women serving on Saudi boards with female investors for 2021. However, it is worth noting that the percentage of investors according to gender was the only information relating to gender disclosed by Tadawul (on its Twitter account in 2018).

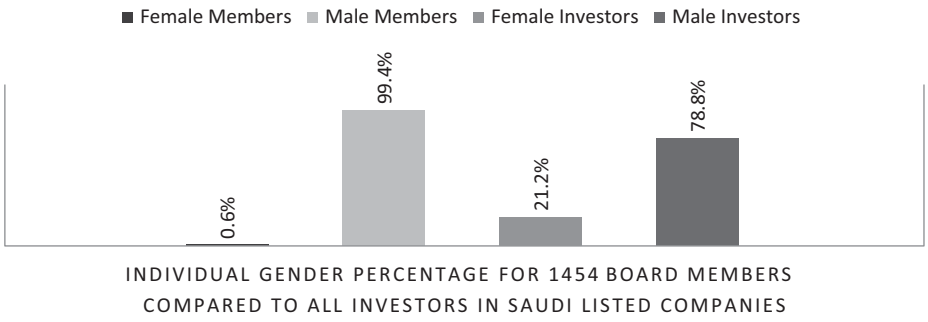

Figure 5.1: Gender Diversity in the Boardroom versus the Gender of Investors in the Market (2016).

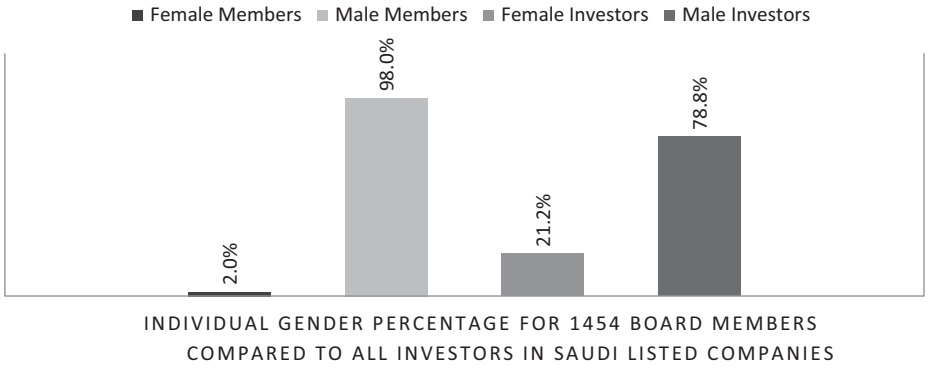

Figure 5.2: Gender Diversity in the Boardroom versus the Gender of Investors in the Market (2021).

The statistical results for 2016 were consistent with the findings of Mahadeo et al. (2012), which finds no more than one female director per firm in the Mauritius market, and none of these females were chairpersons; in 2021 the situation changes and two to three females are seen to work as directors at a single company, and female chairpersons are recorded among these. Mahadeo et al. (2012) finds 2.98% female board directors, in comparison to the findings of this current study which records of 2% of the total sample in 2021.

Table 5.16 shows the correlation of gender diversity in 2016, where female gender is positively correlated, at $r_s = .244$ and $p < .01$, with the number of foreigners serving on boards. The results show that six female directors out of nine at six different companies were foreign directors. This suggests that a diverse board is more likely to have female directors and foreign board members. These results are consistent with the findings of Terjesen et al. (2008), who reveal that the number of female board directors is linked to the number of foreign board members; female board members are also foreign board members and vice-versa. However, in the current study, for 2021 no correlation was seen between females sitting on the boardroom and foreign board members (see Table 5.20). For 2021, Table 5.17 shows no correlation between the female variable and all other variables. This finding is consistent with other studies that find no significant correlation between female presentation and other variables such as performance (e.g. Rose, 2007; Carter et al., 2010).

This current research used a Chi-square test analysis to assess the relationship between the number of companies with female directors and the number of companies with foreign directors for 2016, In this respect, a statistically significant relationship was found, of (χ^2 (1) = 7.739, p < .005) (see Table 5.19). However, for 2021, the analysis showed nothing of statistical significance (see Table 5.21).

No significant effect of female representation on a firm's performance was found (using ROA and Tobin's Q) relating to both years 2016 and 2021. These results are consistent with those of Carter et al. (2010), a study which examines major US companies (see also (Rose, 2007). A comparison of the mean results of both the ROA and Tobin's Q, relating to all-male boards versus companies that have women serving on the board, found a lower mean in companies with female board members (see Tables 5.22 and 5.23). This could due to the lower number of female directors serving on the boards of companies.

Although no relationship between females and board size was found, a cross-tabulation test was found to be beneficial for assessing the potential impact of board size; for example, to see how women were distributed across different board sizes, because large-sized boards might have more female directors than small-sized ones. Table 5.24 indicates that, for 2016, companies with a board size of four and five people had no female directors. Females start to be present on a board size of six or more directors. In 2021, females showed up in a board size of five members. The highest frequency of female representation was three companies in 2016, and eight companies in 2021, on a board with nine members. This confirms the difficulty of determining the relationship of female board members with board size, but helps to clarify their distribution across different sized boards of directors.

Table 5.16: Correlation between Gender Diversity and Other Variables (2016).

		Foreign						
Female	Correlation Coefficient	**.224****						
	Sig. (2-tailed)	.003						
	N	176						
		Suadi	**Engineering**	**Marketing & Economics**	**Board Size**	**Avrage Pay**	**Institutional Ownership**	**FirmSize**
Male	Correlation Coefficient	**.795****	**.251***	**.286****	**.988****	**.258****	**.257****	**.409****
	Sig. (2-tailed)	.000	.013	.004	.000	.002	.001	.000
	N	176	98	98	176	135	171	171

Table 5.17: Correlation between Gender Diversity and Other Variables (2021).

Female	Correlation Coefficient																	
	Sig. (2-tailed)																	
	N																	
		First degree	**Postgrad degree**	**Suadi**	**Accounting & Finance**	**Engineering**	**Management & Business**	**Marketing & Economic**	**Others**	**Age (40 to 60 Y)**	**Age > 60 Y**	**Experience (20 to 30 Y)**	**Experience 31 Y & >**	**Board Size**	**Foreign Owner-ship**	**Family Ownership**	**Government Ownership**	**Firm Size**
Male	Correlation Coefficient	**.408****	**.494****	**.752****	**.153***	**.288****	**.431****	**.204****	**.189****	**.394****	**.412****	**.234****	**.530****	**.965****	**.404****	**–.145***	**.320****	**.509****
	Sig. (2-tailed)	0.000	0.000	0.000	0.030	0.000	0.000	0.004	0.007	0.000	0.000	0.001	0.000	0.000	0.000	0.040	0.000	0.000
	N	201	201	202	201	201	201	201	201	191	191	193	193	202	202	202	202	198

Table 5.18: Statistical Summary of Female and Foreign Directors (2016).

			Foreign Board Members		Total
			No Foreign Members	At Least One Foreign Member	
Female Board Members	No Females	Count	126	41	167
		% Female Members	75.4%	24.6%	100%
		% Foreign Members	97.7%	87.2%	94.9%
		% Total	71.6%	23.3%	94.9%
	At Least One Female	Count	3	6	9
		% Female Members	33.3%	66.7%	100%
		% Foreign Members	2.3%	12.8%	5.1%
		% Total	1.7%	3.4%	5.1%
Total		Count	129	47	176
		% Female Members	73.3%	26.7%	100%
		% Foreign Members	100.0%	100.0%	100.0%
		% Total	73.3%	26.7%	100%

Table 5.19: Analysis of the Chi-Square for 2016.

	Chi-Square				
	Value	Df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	7.739[a]	1	.005		
Continuity Correction[b]	5.737	1	.017		
Likelihood Ratio	6.654	1	.010		
Fisher's Exact Test				.012	.012
Linear-by-Linear Association	7.695	1	.006		
N of Valid Cases	176				

a. 1 cell (25.0%) has an expected count of less than five. The minimum expected count is 2.40.

b. Computed only for a 2x2 table.

Table 5.20: Statistical Summary of Female and Foreign Directors (2021).

			Foreign Board Members		
			No Foreign Members	At Least One Foreign Member	Total
Female Board Members	No Females	Count	118	56	174
		% Female Members	67.8%	32.2%	100.0%
		% Foreign Members	88.1%	82.4%	86.1%
		% Total	58.4%	27.7%	86.1%
	At Least One Female	Count	16	12	28
		% Female Members	57.1%	42.9%	100.0%
		% Foreign Members	11.9%	17.6%	13.9%
		% Total	7.9%	5.9%	13.9%
Total		Count	129	134	68
		% Female Members	73.3%	66.3%	33.7%
		% Foreign Members	100.0%	100.0%	100%
		% Total	73.3%	66.3%	33.7%

Table 5.21: Analysis of the Chi-Square for 2021.

	Chi-Square				
	Value	Df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.230[a]	1	.267		
Continuity Correction[b]	.799	1	.371		
Likelihood Ratio	1.193	1	.275		
Fisher's Exact Test				.286	.185
Linear-by-Linear Association	1.224	1	.269		
N of Valid Cases	202				

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 9.43.

b. Computed only for a 2x2 table.

Table 5.22: Comparison of the Mean Results of ROA and Tobin's Q relating to Companies with Females on the Board and Companies with an All-Male boardroom (2016).

	Female Members		Statistic	Std. Error
ROA	**No Females**	**Mean**	0.0467	0.0063
	At Least One Female	**Mean**	0.0179	0.0332
Tobin's Q	**No Females**	**Mean**	1.5849	0.0614
	At Least One Female	**Mean**	1.5839	0.2172

Table 5.23: Comparison of the Mean Results of ROE, ROA, and Tobin's Q for Companies with Female Directors and Companies with an All-Males Boardroom (2021).

	Female Members		Statistic	Std. Error
ROE	**No Females**	Mean	0.0803	0.0184
	At Least One Female	Mean	0.0940	0.0310
ROA	**No Females**	Mean	0.0517	0.0080
	At Least One Female	Mean	0.0676	0.0198
Tobin's Q	**No Females**	Mean	1.8210	0.1729
	At Least One Female	Mean	1.7199	0.3147

Table 5.24: Gender Diversity and Board Size (2016 and 2021).

			Cross-Tabulation					
			Female Members 2016		Total	Female Members 2021		Total
			No Females	At Least One Female		No Females	At Least One Female	
Board Size	**3**	**Count**				3	0	3
		% Board Size				100%	0%	100%
	4	**Count**	3	0	3	4	0	4
		% Board Size	100%	0%	100%	100%	0%	100%
	5	**Count**	6	0	6	18	2	20
		% Board Size	100%	0%	100%	90.00%	10%	100%
	6	**Count**	8	1	9	14	1	15
		% Board Size	88.90%	11.10%	100%	93.30%	6.70%	100%

Table 5.24 (continued)

			Cross-Tabulation					
			Female Members 2016		Total	Female Members 2021		Total
			No Females	At Least One Female		No Females	At Least One Female	
	7	Count	38	2	40	36	6	42
		% Board Size	95.00%	5.00%	100%	85.70%	14.30%	100%
	8	Count	23	0	23	25	4	29
		% Board Size	100%	0%	100%	86.20%	13.80%	100%
	9	Count	62	3	65	59	8	67
		% Board Size	95.40%	4.60%	100%	88.10%	11.90%	100%
	10	Count	17	2	19	9	2	11
		% Board Size	89.50%	10.50%	100%	81.80%	18.20%	100%
	11	Count	10	1	11	6	5	11
		% Board Size	90.90%	9.10%	100%	54.50%	45.50%	100%
Total		Count	167	9	176	174	28	202
		% Board Size	94.90%	5.10%	100%	86.10%	13.90%	100%

The correlation analysis also indicated that males were significantly correlated at different levels of board membership (p value with <.001, <.01 and <.05) for both years 2016 and 2021. In 2016, males correlated with board size (r_s = .988 p <.001), average pay (r_s = .258 p <.01), institution ownership (r_s = .257 p <.01), firm size (r_s = .409 p <.001), and educational background, such as Marketing and Economics (r_s = .286 p <.01), and Engineering (r_s = .251 p <.05). The correlation of institutional ownership with male members indicates that 'institutional investors'[13] might influence the representation of female members. Also, for 2021, the data showed that different kinds of ownership characteristics correlated with males [foreign ownership (r_s = .404 p <.01), family ownership (r_s = −.145 p <.05), and Government ownership (r_s = .320 p <.01)]. These results are inconsistent with the findings of Gregorič et al. (2017), where no significant influence of institutional ownership on the degree of representation of female members was found; but this study was conducted in Denmark, Finland, Sweden, and Norway.

For 2021, the data confirms some correlations with some variables, such as the educational background of Engineering, and Marketing and Economics, as well as

13 Percentage of Government and other firm ownership of the company.

with board size and firm size. However, some variables appearing in that year show norms where males are dominant in the market. For example, relating to educational background [such as Accounting and Finance, Management and Business, and Other], as well as the age variable (age 40 to 60 years, and aged > 60 years), and experience variables (experience of 20 to 30 years, and experience of 31 years and >). The results of the current study show that male directors in the boardroom of Saudi market companies are very well represented among the board's characteristics and ownership power. In order to examine this in greater detail, in-depth interviews were used an additional tool to the statistical data analysis (which was used to provide a guide for the interviews).

5.7 Nationality

In 2016, the results showed 92 (6.33%) foreign board members and 1,362 Saudi members (93.67%) serving at the companies researched. Figure 5.3 shows the contrast between nationalities present in the boardroom and ownership nationality; foreign investor ownership represented 4.68% of the total market, while 95.32% represented Saudi investor ownership. This indicates a satisfactory level of foreign diversity in the boardroom in comparison with the total nationality of investors in the Saudi Arabian market. These results also reveal the continuing need for foreign skills and expertise in the Saudi boardroom. However, the pattern of this representation might also reflect the effects of the Saudization programme implemented by the Government. But, one of the objectives of the Saudi Vision 2030 is to re-attract foreign skills and talent into the Saudi economy; the proportion of foreign board members grew in 2021 to 134 (8.7%), compared with 1,441 Saudi members (91.3%). Figure 5.4 shows the contrast between nationalities in the Saudi boardroom and ownership nationality; foreign investor ownership represents 6.40% of the total market, in contrast to Saudi investor ownership which is represented at 93.60%. This increase in foreign investor ownership could be a result of the Government's decision to open up the market to foreign investors in 2015. All this means that, in spite of the expansion in the Saudi market, evidenced in an increase in the number of companies operating, the percentage of foreign investors is also increasing. These results are consistent with those of Van Veen and Elbertsen (2008), a study which finds nationality diversity increasing over time, but which does not interpret causation.

Table 5.25 relating to data for 2016, shows that foreign board members are significantly and negatively correlated with average pay ($r_s = -.233$ $p < .01$), as well as 'other' backgrounds ($r_s = -.316$ $p < .01$), and family ownership ($r_s = -.186$ $p < .05$). This means that foreign board members experience low average pay, in comparison with the high average pay offered to Saudi citizens. Moreover, foreign board members score low on family ownership concentration.

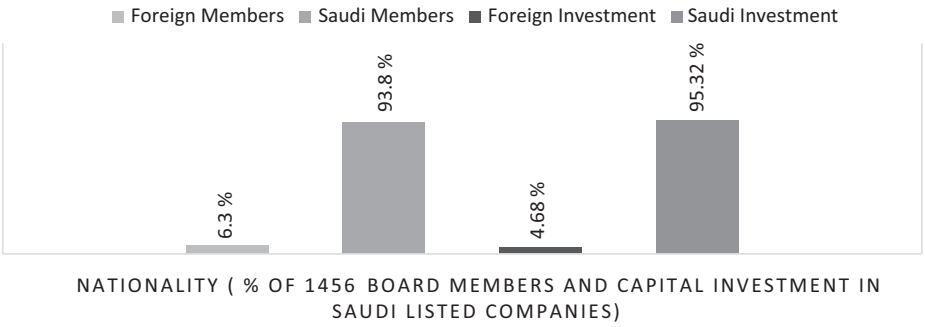

Figure 5.3: Nationality Related Diversity in the Boardroom versus Investor Nationality in the Market (2016).

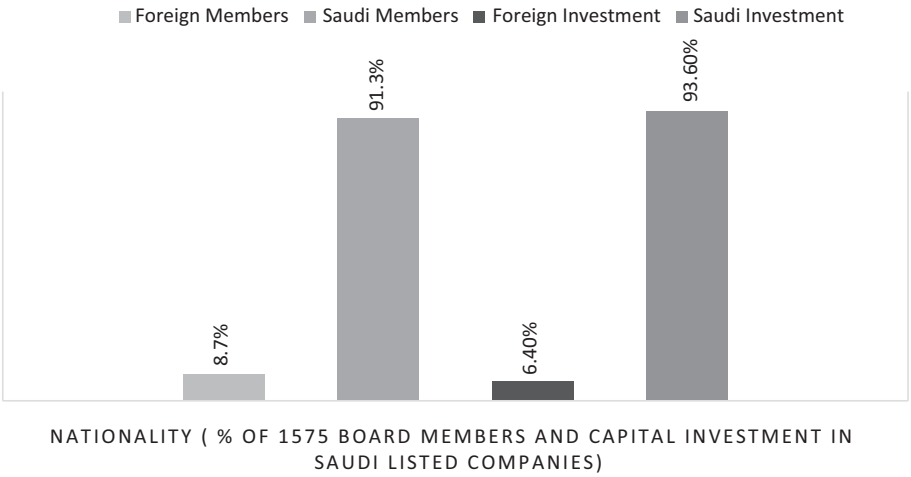

Figure 5.4: Nationality Related Diversity in the Boardroom versus Investor Nationality in the Market (2021).

Conversely, foreign board members are shown to have a significant positive correlation with both foreign ownership (r_s = .406 p <.001) and institutional ownership (r_s = .352 p <.001). Table 5.26, which records data for 2021, shows that foreign company ownership is positively correlated with foreign members sitting in the boardroom[14] (r_s = .276 p <.001). This indicates that foreign board members appear where there is more foreign company ownership, rather than on boards that are Saudi family owner concentrated. Estélyi and Nisar (2016) also find that foreign directors serving in the

14 In the data in 2016, institutional ownership was named for the government and the company ownership which this divided in 2021 data.

boardroom is significantly associated with foreign ownership as well as institutional ownership in the UK market.

In the current study, foreign board members were also shown to possess low representation in the 'other' category relating to background education. 'Other' educational backgrounds include a diploma or a lower-level qualification, which was shown to be more unlikely for foreign board members. Also, foreign members were more significantly correlated with possessing Marketing and Economics backgrounds, both for 2016 (r_s = .244 p <.05) and 2021 (r_s = .178 p <.05). Notably, foreign members were represented more often in the financial sector (in the 2016 data), where a significant, positive correlation was found (r_s = .453 p <.001). The researcher further investigated this trend using the Kruskal-Wallis test, which revealed a significant difference in the telecommunications and financial sectors; revealing high representation in both of these sectors compared with other sectors. The results also showed high numbers represented both in institutional ownership, as well as in the telecommunications and financial sectors. These results indicate a demand for a specific background in these important sectors, and might explain the low appearance of directors with a diploma or lower qualification in these sectors. It would seem as if investors in these sectors might want elect board who possess high level qualifications. The data for 2021 also shows a positive correlation with the financial sector (r_s = .343 p <.001) and a positive correlation using the Tobin's Q (r_s = .289 p <.001). This confirms the more prolific appearance of foreign board members in the financial sector, and shows the benefit that foreign members can add to the Saudi market.

For 2016, no significant relationship between foreign directors and a firm's performance was found (using ROA and Tobin's Q). These results are consistent with a study by Randøy et al. (2006) and Darmadi (2011), who also find no significant associations. The results are also consistent with Salloum et al. (2019) regarding the relationship between nationality diversity and gender diversity, as shown above. However, this association did not impact on a company's performance. In contrast, the data for 2021 showed a significant relationship between the presence of foreign directors using Tobin's Q (but, not using ROA and ROE). An assessment of the mean results for performance relating to companies with all-Saudi boards, in comparison to companies with foreign directors, showed a lower mean for companies who employ foreigner directors, in comparison with companies who only employ Saudis in the boardroom (see Tables 5.27 and 5.28).

Saudi directors are dominant in the Saudi market and are highly correlated with variables that represent the current norms in the Saudi market. Although, it is difficult to explain some variables in detail, we can talk about them in general. It was noted that for both years (2016 and 2021) high correlation with educational backgrounds such as engineering and others were found, and with variables such as firm size, foreign ownership, and board size.

Table 5.25: Correlation between Nationality Diversity and Other Variables (2016).

		Suadi	**Marketing & Economics**	**Others**	**Avrage Pay**	**Foreign Ownership**	**Family Ownership**	**Institutional Ownership**	**IND**
Foreign	Correlation Coefficient	**–.457****	**.244***	**–.316****	**–.233****	**.406****	**–.186***	**.352****	**.453****
	Sig. (2-tailed)	.000	.015	.002	.007	.000	.014	.000	.000
	N	177	98	98	135	176	175	171	177
		Engineering	**Others**	**Board Size**	**Avrage Pay**	**Foreign Ownership**	**Firm Size**		
Suadi	Correlation Coefficient	**.294****	**.227***	**.775****	**.368****	**-.244****	**.415****		
	Sig. (2-tailed)	.003	.025	.000	.000	.001	.000		
	N	98	98	176	135	176	171		

Table 5.26: Correlation between Nationality Diversity and Other Variables (2021).

		Suadi	Marketing & Economic	Board Size	Companies Ownership	Tobin's Q	IND									
Foreign	Correlation Coefficient	**−.438****	**.178***	**.160***	**.276****	**−.289****	**.343****									
	Sig. (2-tailed)	0.000	0.012	0.023	0.000	0.000	0.000									
	N	202	201	202	202	198	202									
		First degree	**Postgrad degree**	**Male**	**Foreign**	**Engin-eering**	**Management & Business**	**Others**	**Age (40 to 60 Y)**	**Age > 60 Y**	**Experience (20 to 30 Y)**	**Experience 31 Y & >**	**Board_ Size**	**Foreign Ownership**	**Government Ownership**	**Firm Size**	**ROE**
Suadi	Correlation Coefficient	**.360****	**.405****	**.752****	**.438****	**.314****	**.390****	**.198****	**.392****	**.304****	**.279****	**.401****	**.764****	**.279****	**.256****	**.358****	**.308****
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.005	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.006
	N	201	201	202	202	201	201	201	191	191	193	193	202	202	202	198	77

Table 5.27: Comparison of Mean Results of the ROA and Tobin's Q for Companies with Foreign Directors and those with an all-Saudi Boardroom (2016).

	Foreign Members		Statistic	Std. Error
ROA	**No Foreign**	**Mean**	0.0484	0.0077
	At Least One Foreign	**Mean**	0.0368	0.0097
Tobin's Q	**No Foreign**	**Mean**	1.6182	0.0722
	At Least One Foreign	**Mean**	1.4968	0.1004

Table 5.28: Comparison of Mean Results of the ROE, ROA, and Tobin's Q for Companies with Foreign Directors and those with an all-Saudi Boardroom (2021).

	Foreign Members		Statistic	Std. Error
ROE	**No Females**	**Mean**	0.0998	0.0177
	At Least One Foreign	**Mean**	0.0515	0.0322
ROA	**No Foreign**	**Mean**	0.0637	0.0092
	At Least One Foreign	**Mean**	0.0371	0.0121
Tobin's Q	**No Foreign**	**Mean**	2.0063	0.2156
	At Least One Foreign	**Mean**	1.4569	0.1797

The Cross-tabulations test was applied to reveal the distribution of foreign directors in relation to different boardroom sizes. Table 5.29 shows a high percentage of the representation of at least one foreign director on a board size of ten directors for 2016, while in 2021 this figure recorded at eleven directors. The highest level of foreign representation relating to board size was for a board of nine directors, for both years. In 2016, boards comprising nine and ten directors accounted for 60% of foreign director appointees, compared with other boardroom sizes. In 2021, board sizes comprising seven and nine directors accounted for 57.4% of foreign director appointees. However, a board with just seven directors (in 2016) revealed a low representation of foreign directors (just seven out of 40), and 33 boardrooms appointed only Saudi directors.

Dissimilarity between both years relating to foreign ownership was seen; negative correlations with Saudi board members were seen in 2016, while a positive correlation was noted in 2021. In 2016, Saudi members were negatively correlated at $r_s = -.244$ $p < .01$ with foreign ownership, in contrast to foreign board members. Saudi directors received higher compensation on average than the foreign directors, but it was more likely that a foreign-owned firm would appoint foreign directors to the board. In 2021,

Saudi board members positively correlated with some variables, revealing different results from those found for 2016. For example, in relation to: qualification level (first degree and postgraduate degree); educational background (Management and Business); a director's age (between 40 and 60 years, and aged > 60 years); experience (between 20 and 30 years), and experience of 31 years and >); and other variables such as Government Ownership and ROE. These significant statistical relationships are hard to interpret since the Saudi board members are dominant in the market, but they give a general view of the boardroom composition in the Saudi market.

Table 5.29: Nationality Diversity and Board Size for 2016 and 2021.

			Cross-Tabulation					
			Foreign Board Members (2016)		Total	Foreign Board Members (2021)		Total
			No Foreign	At Least One Foreign		No Foreign	At Least One Foreign	
Board Size	3	Count				3	0	3
		% Board Size				100%	0%	100%
	4	Count	3	0	3	2	2	4
		% Board Size	100%	0%	100%	50%	50%	100%
	5	Count	4	2	6	13	7	20
		% Board Size	67%	33%	100%	65%	35%	100%
	6	Count	6	3	9	10	5	15
		% Board Size	66.70%	33.30%	100%	66.70%	33.30%	100%
	7	Count	33	7	40	30	12	42
		% Board Size	82.50%	17.50%	100%	71.40%	28.60%	100%
	8	Count	18	5	23	25	4	29
		% Board Size	78.30%	21.70%	100%	86.20%	13.80%	100%
	9	Count	46	19	65	40	27	67
		% Board Size	70.80%	29.20%	100%	59.70%	40.30%	100%
	10	Count	10	9	19	6	5	11
		% Board Size	52.60%	47.40%	100%	54.50%	45.50%	100%
	11	Count	9	2	11	5	6	11
		% Board Size	81.80%	18.20%	100%	45.50%	54.50%	100%
Total		Count	129	47	176	134	68	202
		% Board Size	73.30%	26.70%	100%	66.30%	33.70%	100%

5.8 Qualification Levels

As shown above, for 2016 it was only possible to obtain qualification level data for 101 companies, but this increased to 201 companies for 2021. Figure 5.5 (2016) shows that 39 (5.5%) board members had a diploma or lower-level qualification, 379 (53.5%) had a first degree, and 291 (41%) had a post-graduate degree. In contrast, Figure 5.6 (2021) shows 57 (3.9%) board members with a diploma or lower-level qualification, 722 (48.5%) of board members with a first degree, and 711 (47.6%) of board members with a post-graduate degree. It should be noted that the level of disclosure of the qualification level for board members in the market developed in 2021. Also, the percentage of those with post-graduate degrees partially improved from the results for 2016.

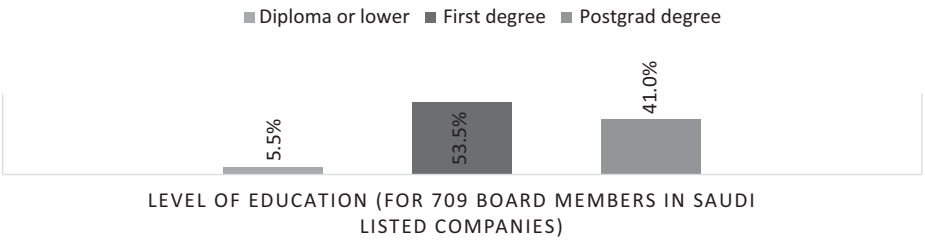

Figure 5.5: Qualification Level Diversity in the Boardroom (2016).

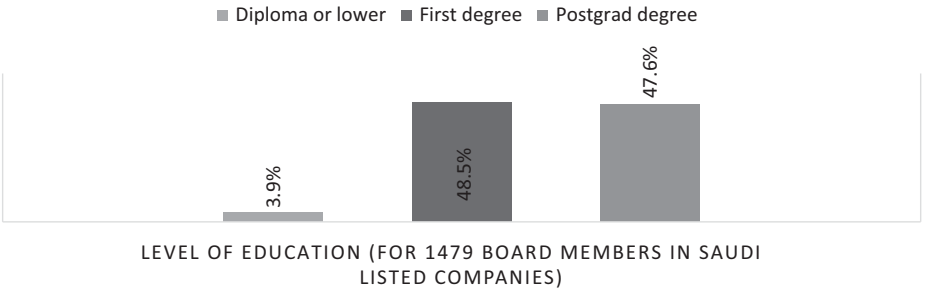

Figure 5.6: Qualification Level Diversity in the Boardroom (2021).

Table 5.30 (2016) shows a negative correlation ($r_s = -.278$ $p < .01$) between foreign board members, and those directors who hold a diploma or lower-level qualification. This means that foreign members who serve on boards are unlikely to be qualified below first-degree level. Table 5.31 (2021) show that holding a diploma or lower-level qualification is negative correlated with foreign ownership ($r_s = -.164$ $p < .05$).

Moreover, a negative correlation appeared in 2016 ($r_s = -.207$ $p < .05$) between institutional ownership and those directors with a diploma or lower-level qualification. This indicates that big investors prefer board members to have at least a first degree if they are to serve on a board. This result is confirmed by Alshareef and

Sandhu (2015) who examine the correlation between high education levels among employees in government-owned firms. However, in the current study, the findings of Alshareef and Sandhu (2015) are not supported by the data for 2021, where government ownership was identified as separate variable. The current study examined a larger percentage of the Saudi market than the small sample used by Alshareef and Sandhu (2015), who undertook case studies for only two companies. Furthermore, in the current study there was a high positive correlation (r_s = .512 p <.001) between those with diploma level and 'other backgrounds (for 2021) (r_s = .310 p <.001). This was because most diploma level qualifications were recorded when we collected the data under the 'other' educational background category. Surprisingly, for the 2021 data, using the Tobin's Q variable, a positive correlation with diploma level was found (r_s = .213 p <.001); while at the same time showing a negative correlation with the firm size (r_s = −.154 p <.005). This reveals that the positive correlation with firm performance (Tobin's Q) result is only limited to small companies.

The representation of board members holding a bachelor's degree increases when those with a master's degree or doctorate serve on the same board. This is confirmed by negative correlation for 2016 (r_s = −.197 p <.05) and for 2021 (r_s = −.368 p <.01) between those with a first degree and those with a post-graduate degree. In other words, a proportion of homogeneity of qualification levels was noted. Also, there was a positive correlation in 2016 (r_s = .296 p <.01) and in 2021 (r_s = .408 p <.01) between those with a first degree and male Saudi board members, board size in 2016 (r_s = .275 p <.01) and in 2021 (r_s = .397 p <.01), and those with a Management and Business backgrounds in 2016 (r_s = .349 p <.01), and Marketing and Economics backgrounds in 2016 (r_s = .308 p <.01) and in 2021 (r_s = .104 p <.05). The correlation was lower in 2016 (r_s = .230 p <.05) for those with an Engineering background, but high in 2021 (r_s = .300 p <.01).

These correlations indicate that most of the board members who hold a bachelor's degree are Saudi males, and that education levels are higher among board members when the board is homogeneous (with those with a bachelor's degree). Furthermore, most board members with Management and Business, Marketing and Economics, and Engineering backgrounds also have first degrees. Also, those who hold a bachelor's degree, and are aged between 40 and 60, recorded high correlation in 2021 (r_s = .278 p <.01), and the same qualification level correlated with having experience of 20 to 30 years (r_s = .194 p <.01). However, those who had experience of more than 30 years revealed low correlation with those who hold a bachelor's degree (r_s = .165 p <.05). This indicates younger aged board members with fewer years of experience probably hold a post-graduate degree or possess a mixed degree (bachelor's and post-graduate).

Table 5.30: Correlation between Qualification Level Diversity and Other Variables (2016).

		Foreign	**Others**	**Institutional-Ownership**				
Diplomaor-lower	Correlation Coefficient	**–.278****	**.512****	**–.207***				
	Sig. (2-tailed)	.005	.000	.041				
	N	101	96	98				
		Postgraddegree	**Male**	**Suadi**	**Engineering**	**Management& Business**	**Marketing& Economics**	**BoardSize**
Firstdegree	Correlation Coefficient	**–.197***	**.296****	**.360****	**.230***	**.349****	**.308****	**.275****
	Sig. (2-tailed)	.048	.003	.000	.024	.000	.002	.005
	N	101	101	101	96	96	96	101
		Management& Business	**Marketing& Economics**	**Institutional-Ownership**	**FirmSize**			
Postgradde-gree	Correlation Coefficient	**.241***	**.294****	**.208***	**.244***			
	Sig. (2-tailed)	.018	.004	.040	.015			
	N	96	96	98	98			

Table 5.31: Correlation between Qualification Level Diversity and Other Variables (2021).

		Postgrad degree	Engineering	Others	Foreign Ownership	Firm Size	Tobin's Q									
Diplomao-rlower	Correlation Coefficient	**−.144***	**−.139***	**.310****	**−.164***	**−.154***	**.213****									
	Sig. (2-tailed)	0.042	0.049	0.000	0.020	0.030	0.003									
	N	201	201	201	201	197	197									
		Postgrad degree	**Male**	**Suadi**	**Engineering**	**Marketing & Economic**	**Age (40 to 60 Y)**	**Experience (20 to 30 Y)**	**Experience 31 Y & >**	**Board Size**						
Firstde-gree	Correlation Coefficient	**−.368****	**.408****	**.360****	**.300****	**.140***	**.278****	**.194****	**.165***	**.397****						
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.048	0.000	0.007	0.022	0.000						
	N	201	201	201	201	201	191	193	193	201						
		Diploma or lower	**First degree**	**Male**	**Suadi**	**Management & Business**	**Law**	**Age (40 to 60 Y)**	**Age > 60 Y**	**Experience 31 Y & >**	**Board Size**	**Foreign Ownership**	**Government Ownership**	**Firm Size**	**Leverage**	**Tobin's Q**
Postgrad-degree	Correlation Coefficient	**−.144***	**−.368****	**.494****	**.405****	**.394****	**.173***	**.186***	**.294****	**.372****	**.505****	**.282****	**.298****	**.439****	**.150***	**−.184****
	Sig. (2-tailed)	0.042	0.000	0.000	0.000	0.000	0.014	0.010	0.000	0.000	0.000	0.000	0.000	0.000	0.035	0.009
	N	201	201	201	201	201	201	191	191	193	201	201	201	197	197	197

The post-graduate degree is positively correlated in 2016 (r_s = .208 p <.05) with institutional ownership, and in 2021 with government ownership (r_s = .298 p <.01). Also, a high correlation was noted between holding a post-graduate degree and foreign ownership (r_s = .282 p <.01). Firms that scored high institutional investor percentages increase where there are members of the board who have a master's degree or doctorate, but this decreases in the case of diploma or lower-level qualification. Moreover, the percentage of board members with a post-graduate degree increases with firm size. This result was confirmed by correlation found with firm size in 2016 (r_s = .244 p <.05) and in 2021 (r_s = .439 p <.01).

Educational background was correlated most highly with holding a post-graduate degree and having a Management and Business background in 2016 (r_s = .241 p <.05), recording even higher in 2021 (r_s = .394 p <.01). Other backgrounds that correlated highly with holding a post-graduate degree were Marketing and Economics (r_s = .294 p <.01) in 2016, and law in 2021 (r_s = .173 p <.05). This indicates that most board members with a post-graduate degree have these three specific backgrounds. In 2021, there is a high negative correlation between a post-graduate degree and the Tobin's Q variable (rs = −.184 p <.001), and, at the same time a positive correlation with the firm size; this might indicate a post-graduate degree board member mindset in a big firm, but with low performance (Tobin's Q).

Moreover, using the Kruskal-Wallis test relating to 2016 data, significant differences were found between companies in the Northern and Southern regions of the country, specifically in relation to board members who hold a master's degree or doctorate. These significant differences for both regions also indicated a low representation of post-graduate degrees in the boardroom in both regions.

A Cross-tabulation test was employed to demonstrate the distribution of qualification level diversity in relation to different boardroom sizes. Table 5.32 shows that 60.4% of the data sample for 2016 was distributed across two different qualification levels, 25.7% across three different qualification levels, and 13.9% across only one qualification level. For 2021 Table 5.33 shows that 77.10% was distributed across two different qualification levels, 17.90% across three different qualification levels, and 5% across only one qualification level. The highest percentage of data distributed across three different qualification levels was associated with a board size of seven directors in 2016 and six in 2021. The highest frequency in number was with a board size of nine directors in 2016 and 2021.

For 2016, these two sizes (seven and nine) comprised 69%, while (six and nine) comprised 53% of the presence of three different qualification levels in the boardroom in relation to the different boardroom sizes. In 2016, for most boardroom sizes, the presence of three different qualification levels was equal/greater than one qualification level, with the exception of board sizes of four and eleven. For 2021, it was noted that as the size of the board increased, then qualification levels also increased; for boardrooms comprising three to five people, one qualification level was the dominant

number, whilst for boardrooms comprising six to eleven people, three different qualifications pre-dominated.

Table 5.32: Qualification Level Diversity According to Various Board Sizes (2016).

			Cross-tabulation			Total
			Qualification Level Diversity 2016			
			One Qualification Level	Two Different Qualification Levels	Three Different Qualification Levels	
Board Size	**4**	**Count**	1	0	0	1
		% Board Size	100.0%	0.0%	0.0%	100.0%
	5	**Count**	1	2	1	4
		% Board Size	25.0%	50.0%	25.0%	100.0%
	6	**Count**	0	5	1	6
		% Board Size	0.0%	83.3%	16.7%	100.0%
	7	**Count**	2	14	8	24
		% Board Size	8.3%	58.3%	33.3%	100.0%
	8	**Count**	2	9	3	14
		% Board Size	14.3%	64.3%	21.4%	100.0%
	9	**Count**	4	22	10	36
		% Board Size	11.1%	61.1%	27.8%	100.0%
	10	**Count**	2	6	2	10
		% Board Size	20.0%	60.0%	20.0%	100.0%
	11	**Count**	2	3	1	6
		% Board Size	33.3%	50.0%	16.7%	100.0%
Total		**Count**	14	61	26	101
		% Board Size	13.9%	60.4%	25.7%	100.0%

In 2016, there was no significant correlation of different qualification levels with a firm's performance (using ROA and Tobin's Q), but in 2021 (using Tobin's Q), diploma level was positively correlated, and was negative correlated with a post-graduate degree. To provide more context, a comparison of the average mean of performance was undertaken in relation to different qualification levels. Table 5.34 shows the mean results for different qualification levels relating to 2016 data, and Table 5.35 shows the results for 2021, but with ROE test results added to use as a performance measure.

Table 5.33: Qualification Level Diversity with Various Board Sizes (2021).

			Cross-tabulation			Total
			Qualification Level Diversity 2021			
			One Qualification Level	Two Different Qualification Levels	Three Different Qualification Levels	
Board Size	**3**	**Count**	1	2	0	3
		% Board Size	33.30%	66.70%	0%	100%
	4	**Count**	2	2	0	4
		% Board Size	50%	50%	0%	100%
	5	**Count**	2	18	0	20
		% Board Size	10%	90%	0%	100%
	6	**Count**	1	8	6	15
		% Board Size	6.70%	53.30%	40%	100%
	7	**Count**	3	31	8	42
		% Board Size	7.10%	73.80%	19%	100%
	8	**Count**	0	25	4	29
		% Board Size	0%	86.20%	13.80%	100%
	9	**Count**	1	52	13	66
		% Board Size	1.50%	78.80%	19.70%	100%
	10	**Count**	0	10	1	11
		% Board Size	0%	90.90%	9.10%	100%
	11	**Count**	0	7	4	11
		% Board Size	0%	63.60%	36.40%	100%
Total		**Count**	10	155	36	201
		% Board Size	5%	77.10%	17.90%	100%

5.9 Educational Background

Educational background was classified into the most popular seven categories, as follows: Accounting and Finance 75 (11%) 2016; 230 (16%) 2021, Engineering 150 (22%) 2016; 215 (15%) 2021, Law 26 (4%) 2016; 52 (4%) 2021, Computing and Science 39 (6%) 2016; 66 (4%) 2021, Marketing and Economics 57 (8%) 2016; 118 (8%) 2021, Management and Business 232 (34%) 2016; 585 (40%) 2021, and Other 106 (15%) 2016; 214 (14%) 2021. The results are shown in Figure 5.7 for 2016 and Figure 5.8 for 2021. Those directors with a Management and Business background were the most likely to

serve on a boardroom for both years, followed by Engineering in 2016, and Accounting and Finance in 2021.

Table 5.34: Comparison of the Mean Results of ROA and Tobin's Q in Relation to Qualification Level Diversity (2016).

	Qualification Level Diversity		Statistic	Std. Error
ROA	**One Qualification Level**	**Mean**	0.0425	0.0118
	Two Different Qualification Levels	**Mean**	0.0574	0.0108
	Three Different Qualification Levels	**Mean**	0.0562	0.0128
Tobin's Q	**One Qualification Level**	**Mean**	1.6413	0.1634
	Two Different Qualification Levels	**Mean**	1.8741	0.1252
	Three Different Qualification Levels	**Mean**	1.5543	0.1532

Table 5.35: Comparison of the Mean Results of ROA, ROE, and Tobin's Q in Relation to Qualification Level Diversity (2021).

	Qualification Level Diversity		Statistic	Std. Error
ROE	**One Qualification Level**	**Mean**	0.0969	0.0133
	Two Different Qualification Levels	**Mean**	0.0696	0.0198
	Three Different Qualification Levels	**Mean**	0.1303	0.0259
ROA	**One Qualification Level**	**Mean**	0.0465	0.0075
	Two Different Qualification Levels	**Mean**	0.0476	0.0088
	Three Different Qualification Levels	**Mean**	0.0725	0.0132
Tobin's Q	**One Qualification Level**	**Mean**	1.6617	0.1566
	Two Different Qualification Levels	**Mean**	1.7922	0.1777
	Three Different Qualification Levels	**Mean**	1.8578	0.3587

Table 5.36 shows data correlation for 2016, while Table 5.37 shows data correlation for 2021. It was useful to look at each background's characteristic based on correlation; having an Accounting and Finance background recorded as he second largest background group in the market based on the 2021 data. Surprisingly, it was correlated negatively in 2016 using the Tobin Q test at $r_s = -.224$ $p < .05$, but this relationship did not appear in the 2021 data. For 2021, board members with an Accounting and Finance background were correlated with a younger age group of 40 years old or younger ($r_s = .194$ $p < .01$), and the experience group of 20 to 30 years ($r_s = .223$ $p < .01$). Also, these directors were most often placed where there was company ownership ($r_s = .169$ $p < .05$), many of them in financial institutions ($r_s = .150$ $p < .05$).

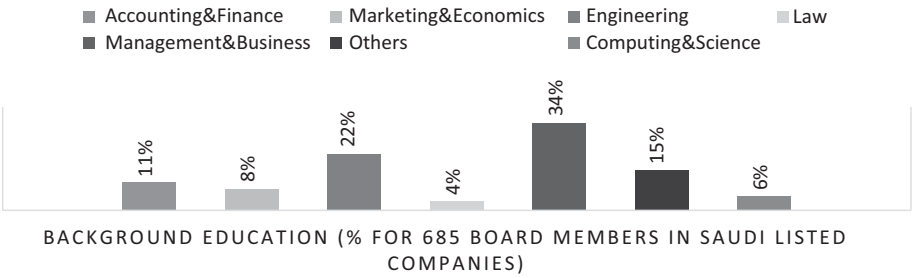

Figure 5.7: Educational Background Diversity in the Boardroom (2016).

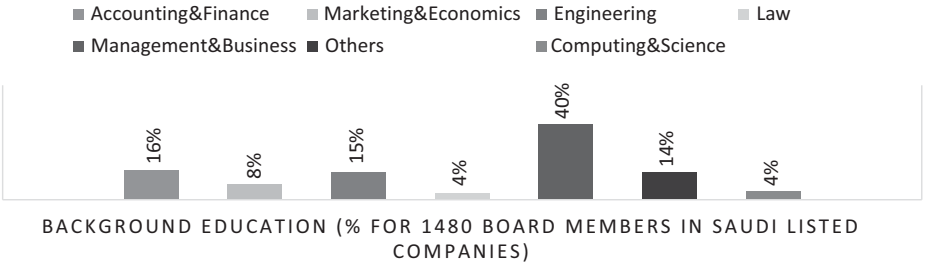

Figure 5.8: Educational Background Diversity in the Boardroom (2021).

There was high negative correlation between directors holding an Accounting and Finance background and those with an Engineering background (r_s = −.228 p <.01) sitting on the same board. Having an Engineering background scored as second highest the 2016 data, and third in the 2021 data, just slightly less than having an Accounting and Finance background. In contrast with board members who had an Accounting and Finance background, board members with an Engineering background appeared in fewer numbers in financial institutions, as the negative correlation shows (r_s = −.149 p <.05).

Board members with an Engineering background were also older, recording as being between 40 to 60 years old (r_s = .157 p <.05), or more than 60 years old (r_s = .276 p <.01), and having experience of 31 years and more (r_s = .267 p <.01). These directors were also placed more frequently where there was foreign ownership (r_s = .164 p <.05), and where firm size was large (r_s = .193 p <.01). These board members were also represented on large board sizes; in 2016 (r_s = .230 p <.05) and in 2021(r_s = .290 p <.01).

Board members who had an Engineering background were more likely to possess a first-degree (r_s = .300 p <.01), and were negatively associated with possessing only a diploma or lower degree (r_s = −.139 p <.05) in comparison with those who had other backgrounds (r_s = −.145 p <.05).

The Management and Business background scored as the most common background in the market among directors for both years 2016 and 2021. This might be because many board members who hold a post-graduate degree also come from this

background; the Management and Business background was positively associated with holding a post-graduate degree (r_s = .394 p <.01). Also, the Management and Business background negatively correlated with backgrounds such as Accounting and Finance at (r_s = −.205 p <.01), Marketing and Economics at (r_s = −.179 p <.05), and 'Other' backgrounds, and with those who held a diploma level qualification at (r_s = −.196 p <.01). Those with a Management and Business background were represented most in the age group of 40 to 60 years old at (r_s =.213 p <.01), and in the age group of more than 60 years old (r_s =.197 p <.01), and with having experience of 31 years and more at (r_s =.258 p <.01).

Board members with Management and Business background populated companies with big board sizes, at (r_s =.455 p <.01), and large firm sizes at (r_s =.275 p <.01). The Management and Business background also correlated more with foreign directors at (r_s =.250 p <.01), and firms in Government ownership (r_s =.211 p <.01).

Those board members from a Marketing and Economics background were likely to possess a first degree (r_s = .140 p <.05), were more likely to belong to the age group of more than 60 years old (r_s = .185 p <.05), and were more likely to have experience of 31 years and more (r_s =.196 p <.01). Moreover, they were placed where board sizes were larger at (r_s =.197 p <.01), in financial institutions (r_s =.164 p <.05), and on boards that had more foreign board members (r_s =.178 p <.05). These three variables (board size, financial institutions, and foreign board members) were found to be correlated with Marketing and Economic backgrounds for both 2016 and 2021.

Those directors with a Law background and who fell into the category of 'Other' backgrounds were found to be associated with a bigger board size; at (r_s =.139 p <.05) for Law, and at (r_s =.191 p <.01) for 'Other' backgrounds. Having a Law background was correlated with having a postgraduate degree at (r_s =.173 p <.05), while 'Other' backgrounds were associated with possessing a diploma or lower degree at (r_s =.310 p <.01).

Overall, the results of the current in relation to board size and educational background are consistent with those of Mahadeo et al. (2012), but not with (Kang et al., 2007).

Table 5.36: Correlation of Educational Background Diversity with Other Variables (2016).

		Marketing & Economics	**Tobin's Q**
Accounting & Finance	Correlation Coefficient	**.247***	**−.228***
	Sig. (2-tailed)	.014	.026
	N	98	95

Table 5.36 (continued)

		Board Size				
Engineering	Correlation Coefficient	**.230***				
	Sig. (2-tailed)	.023				
	N	98				
		Marketing & Economics				
Computing & Science	Correlation Coefficient	**.244***				
	Sig. (2-tailed)	.016				
	N	98				
		Board Size	**Foreign Ownership**	**Institutional Ownership**	**Firm Size**	**IND**
Marketing & Economics	Correlation Coefficient	**.277****	**.232***	**.213***	**.277****	**.206***
	Sig. (2-tailed)	.006	.022	.039	.007	.042
	N	98	97	95	95	98
		Institutional Ownership				
Others	Correlation Coefficient	**–.230***				
	Sig. (2-tailed)	.025				
	N	95				

A Cross-tabulation test was used to explain the allocation of directors' educational backgrounds across different boardroom sizes. For 2016, Table 5.38 shows that 28.4% of Saudi firms employ board directors across three different educational backgrounds, 22.1% have directors with four to five different educational backgrounds, 10.5% have directors with two to six different educational backgrounds, and 6.3% have directors with only one background. The greatest frequency of board size, was seven directors on a board comprising three and four educational backgrounds, a board of nine directors of four and five educational backgrounds, and a board of ten directors comprising six educational backgrounds.

Table 5.39 (2021) shows that 83.1% of boardrooms employ directors across three to five different educational backgrounds, with 35.3% hiring directors across four different educational backgrounds (which was the most dominant mix). The data from 2021 also revealed a boardroom that employed directors across seven different educa-

Table 5.37: Correlation of Educational Background Diversity with Other Variables (2021).

		Male	Engineering	Management & Business	Age < 40 Y	Experience (20 to 30 Y)	Companies Ownership	IND						
Accounting & Finance	Correlation Coefficient	.153*	−.228**	−.205**	.194**	.223**	.169*	.150*						
	Sig. (2-tailed)	0.030	0.001	0.003	0.007	0.002	0.016	0.034						
	N	201	201	201	191	193	201	201						
		Diploma or lower	**First degree**	**Male**	**Suadi**	**Accounting & Finance**	**Others**	**Age (40 to 60 Y)**	**Age > 60 Y**	**Experience 31 Y & >**	**Board Size**	**Foreign Ownership**	**Firm Size**	**IND**
Engineering	Correlation Coefficient	−.139*	.300**	.288**	.314**	−.228**	−.145*	.157*	.276**	.267**	.290**	.164*	.193**	−.149*
	Sig. (2-tailed)	0.049	0.000	0.000	0.000	0.001	0.041	0.030	0.000	0.000	0.000	0.020	0.007	0.035
	N	201	201	201	201	201	201	191	191	193	201	201	197	201
		Postgrad degree	**Male**	**Suadi**	**Accounting & Finance**	**Marketing & Economic**	**Others**	**Age (40 to 60 Y)**	**Age > 60 Y**	**Experience 31 Y & >**	**Board Size**	**Foreign Ownership**	**Government Ownership**	**Firm Size**
Management & Business	Correlation Coefficient	.394**	.431**	.390**	−.205**	−.179*	−.196**	.213**	.197**	.258**	.455**	.250**	.211**	.275**
	Sig. (2-tailed)	0.000	0.000	0.000	0.003	0.011	0.005	0.003	0.006	0.000	0.000	0.000	0.003	0.000
	N	201	201	201	201	201	201	191	191	193	201	201	201	197
		First degree	**Male**	**Foreign**	**Management & Business**	**Age > 60 Y**	**Experience 31 Y & >**	**Board Size**	**IND**					
Marketing & Economic	Correlation Coefficient	.140*	.204**	.178*	−.179*	.185*	.196**	.197**	.164*					
	Sig. (2-tailed)	0.048	0.004	0.012	0.011	0.010	0.006	0.005	0.020					
	N	201	201	201	201	191	193	201	201					

(continued)

Table 5.37 (continued)

		Postgrad degree	Board Size					
Law	Correlation Coefficient	**.173***	**.139***					
	Sig. (2-tailed)	0.014	0.048					
	N	201	201					
		Diploma or lower	**Male**	**Suadi**	**Engineering**	**Manage-ment & Business**	**Experience 31 Y & >**	**Board Size**
Others	Correlation Coefficient	**.310****	**.189****	**.198****	**-.145***	**-.196****	**.151***	**.191****
	Sig. (2-tailed)	0.000	0.007	0.005	0.041	0.005	0.036	0.006
	N	201	201	201	201	201	193	201

tional backgrounds, whereas the 2016 data revealed a boardroom comprising only a maximum of six different educational backgrounds. The highest frequency recorded was a board hiring directors across three to five different educational backgrounds, with the exception of a board of eleven directors who hired across five to six educational backgrounds. This suggests that, as a board size increases, a greater variety of educational background is seen. This also shows that educational background diversity is at a satisfactory level in the Saudi market.

Lastly, no correlation was found between different educational backgrounds and a company's performance in the 2016 and 2021 data, with the exception of directors with an Accounting and Finance background, and for the Tobin's Q variable in 2016 only. To enhance reporting, the researcher compared the mean results of company performance with each component of educational background across boardrooms. In this respect, Table 5.40 shows data for 2016 using the ROA and Tobin's Q, while Table 5.41 shows data for 2021 using the ROE, ROA, and Tobin's Q.

Table 5.38: Educational Background Diversity for Various Board Sizes (2016).

			Cross-tabulation						Total
			Education Background (EB)						
			One EB	Two EBs	Three EBs	Four EBs	Five EBs	Six EBs	
Board Size	4	Count	0	0	1	0	0	0	1
		% Board Size	0%	0%	100%	0%	0%	0%	100%
	5	Count	1	1	2	0	0	0	4
		% Board Size	25%	25%	50%	0%	0%	0%	100%
	6	Count	0	1	2	1	2	0	6
		% Board Size	0%	16.70%	33.30%	16.70%	33.30%	0%	100%
	7	Count	1	4	9	5	4	1	24
		% Board Size	4.20%	16.70%	37.50%	20.80%	16.70%	4.20%	100%
	8	Count	0	1	5	2	3	1	12
		% Board Size	0%	8.30%	41.70%	16.70%	25%	8.30%	100%
	9	Count	2	2	7	11	8	3	33
		% Board Size	6.10%	6.10%	21.20%	33.30%	24.20%	9.10%	100%

Table 5.38 (continued)

			Cross-tabulation						Total
			Education Background (EB)						
			One EB	Two EBs	Three EBs	Four EBs	Five EBs	Six EBs	
	10	Count	2	1	1	0	1	5	10
		% Board Size	20%	10%	10%	0%	10%	50%	100%
	11	Count	0	0	0	2	3	0	5
		% Board Size	0%	0%	0.00%	40.00%	60.00%	0%	100%
Total		Count	6	6	10	27	21	21	10
		% Board Size	6.3%	6.30%	10.50%	28.40%	22.10%	22.10%	10.50%

Table 5.39: Educational Background Diversity for Various Board Sizes (2021).

			Cross-tabulation							Total
			Education Background (EB)							
			One EB	Two EBs	Three EBs	Four EBs	Five EBs	Six EBs	Seven EBs	
Board Size	3	Count	0	3	0	0	0	0	0	3
		% Board Size	0%	100%	0%	0%	0%	0%	0%	100%
	4	Count	0	3	1	0	0	0	0	4
		% Board Size	0%	75%	25%	0%	0%	0%	0%	100%
	5	Count	0	6	8	4	2	0	0	20
		% Board Size	0%	30%	40%	20%	10%	0%	0%	100%
	6	Count	0	3	3	8	1	0	0	15
		% Board Size	0%	20%	20%	53%	7%	0%	0%	100%
	7	Count	0	2	17	16	5	1	1	42
		% Board Size	0%	4.80%	40.50%	38.10%	11.90%	2.40%	2.40%	100%
	8	Count	1	1	9	9	9	0	0	29
		% Board Size	3.40%	3.40%	31%	31%	31%	0%	0%	100%

Table 5.39 (continued)

			Cross-tabulation							Total
			Education Background (EB)							
			One EB	Two EBs	Three EBs	Four EBs	Five EBs	Six EBs	Seven EBs	
	9	Count	0	4	17	27	14	3	1	66
		% Board Size	0%	6.10%	25.80%	40.90%	21.20%	4.50%	1.50%	100%
	10	Count	0	0	0	5	5	1	0	11
		% Board Size	0%	0%	0%	45.50%	45.50%	9.10%	0%	100%
	11	Count	0	0	1	2	4	4	0	11
		% Board Size	0%	0%	9.10%	18.20%	36.40%	36.4%	0%	100%
Total		Count	1	22	56	71	40	9	2	201
		% Board Size	0.50%	10.9%	27.90%	35.30%	19.90%	4.50%	1%	100%

Table 5.40: Comparison of the Mean Results using the ROA and Tobin's Q Relating to Educational Background Diversity (2016).

	Educational Background Diversity		Statistic	Std. Error
ROA	One Educational Background	Mean	0.0116	0.0165
	Two Educational Backgrounds	Mean	0.0156	0.0258
	Three Educational Backgrounds	Mean	0.0642	0.0130
	Four Educational Backgrounds	Mean	0.0578	0.0217
	Five Educational Backgrounds	Mean	0.0871	0.0158
	Six Educational Backgrounds	Mean	0.0214	0.0085
Tobin's Q	One Educational Background	Mean	1.8974	0.3587
	Two Educational Backgrounds	Mean	1.9697	0.4414
	Three Educational Backgrounds	Mean	1.5189	0.1118
	Four Educational Backgrounds	Mean	1.9964	0.2340
	Five Educational Backgrounds	Mean	1.9451	0.1817
	Six Educational Backgrounds	Mean	1.0499	0.0299

Table 5.41: Comparison of the Mean Results of the ROA and Tobin's Q Relating to Educational Background Diversity (2021).

	Educational Background Diversity		Statistic	Std. Error
ROE	**Two Educational Backgrounds**	**Mean**	0.1792	0.0420
	Three Educational Backgrounds	**Mean**	0.0155	0.0375
	Four Educational Backgrounds	**Mean**	0.0745	0.0298
	Five Educational Backgrounds	**Mean**	0.1159	0.0273
	Six Educational Backgrounds	**Mean**	0.1254	0.0311
ROA	**Two Educational Backgrounds**	**Mean**	0.1003	0.0176
	Three Educational Backgrounds	**Mean**	0.0383	0.0167
	Four Educational Backgrounds	**Mean**	0.0578	0.0138
	Five Educational Backgrounds	**Mean**	0.0430	0.0111
	Six Educational Backgrounds	**Mean**	0.0833	0.0447
Tobin's Q	**Two Educational Backgrounds**	**Mean**	2.3303	0.5975
	Three Educational Backgrounds	**Mean**	1.8573	0.3077
	Four Educational Backgrounds	**Mean**	1.6899	0.2600
	Five Educational Backgrounds	**Mean**	1.7778	0.3219
	Six Educational Background	**Mean**	1.5936	0.8931

5.10 Age

For 2021, a collection of data relating to age was undertaken for 191 companies, but no data availability existed in this category for 2016. Figure 5.9 shows 195 (14.5%) board members belonging to the age group of 40 years or younger, 826 (61.2%) board members with an age of between 40 to 60 years, and 328 (24.3%) who were 60 years or older. Directors between the ages of 40 to 60 years are the most numerous in the Saudi market.

Table 5.42 shows a high negative correlation ($r_s = -.231$ $p < .01$) between board members aged 40 to 60 years and those directors who were aged 40 or younger. Also, a high negative association was revealed of ($r_s = -.224$ $p < .01$) between board members who were more than 60 years old and directors aged 40 years and younger. This means that directors under 40 years of age less were likely to serve on boards with directors aged between 40 to 60 years and with directors who are more than 60 years old. Furthermore, there was a high positive correlation ($r_s = .194$ $p < .01$) between directors with Accounting and Finance backgrounds and directors who are 40 years old and younger. This indicates that many directors in the 20 years or younger age group have Accounting and Finance backgrounds. In addition, this age group was positively

associated using the ROE test (r_s = .330 p <.01), which suggests a good implication of firm performance for this age group. These results are consistent with those found in a study by (Mahadeo et al., 2012), finding a positive association between age diversity and performance.

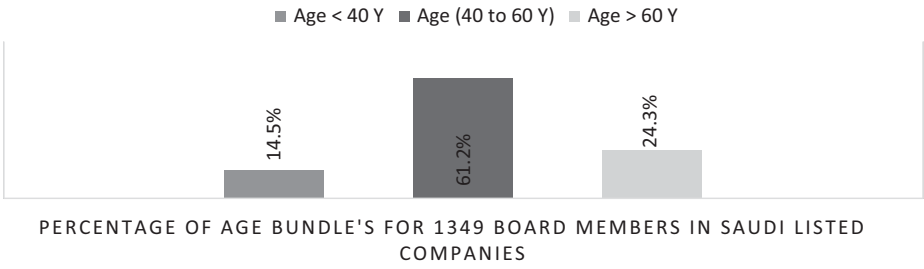

Figure 5.9: Age Diversity in the Boardroom.

Many directors aged between 40 and 60 years of age held a first degree (r_s = .278 p <.01), and a good number held a post-graduate degree (r_s = .186 p <.05). The correlation test shows that many of them were Saudis at (r_s = .394 p <.01) and males at (r_s = .392 p <.01). Moreover, there was a high positive correlation of (r_s = .369 p <.01) between board size and this age group, as well as a strong association with firm size at (r_s = .181 p <.05). This suggests that directors aged between 40 and 60 years old are likely to place on large sized boards in bigger companies.

Directors in the age group category of more than 60 years old correlated with a big firm size (r_s = .367 p <.01) and a large board size (r_s = .422 p <.01). This group was also more associated with possessing a post-graduate degree (at r_s = .294 p <.01), and with being Saudi nationals (at r_s = .304 p <.01), and with being male (at r_s = .412 p <.01). These men also scored highly for possessing backgrounds in Engineering (r_s = .276 p <.01), Management and Business (r_s = .197 p <.01), and Marketing and Economics (r_s = .185 p <.05). However, surprisingly, this group correlated negatively with firm performance (using the Tobin's Q) (at r_s = −.156 p <.05), whilst a more positive association with performance was noted among the younger than 40 years of age group (ROE). Lastly, it was noted that all groups negative correlated with each other. This could mean that although diverse boardrooms exist in terms of age, older boardroom members still dominate the Saudi boardroom.

A Cross-tabulations test was used to show the distribution of director age diversity according to different boardroom sizes. Table 5.43 shows that 50.8% of the data sample comprises boardrooms who employ directors from two age groups, while 39.8% employ directors across three different age groups, and 9.4% only from one age group. The highest percentage of those employing across three different age groups corresponded to a board size of ten or eleven directors. The highest frequency in number was across a board size of nine directors. These three boardroom sizes

Table 5.42: Correlation of Age Diversity with Other Variables (2021).

		Accounting & Finance	Age (40 to 60 Y)	Age > 60 Y	Experience < 20 Y	Experience 31 Y & >	ROE										
Age < 40 Y	Correlation Coefficient	.194**	−.231**	−.224**	.775**	−.353**	.330**										
	Sig. (2-tailed)	0.007	0.001	0.002	0.000	0.000	0.004										
	N	191	191	191	190	190	76										
		First degree	Postgrad degree	Male	Suadi	Engineering	Management & Business	Age < 40 Y	Age > 60 Y	Experience (20 to 30 Y)	Board Size	Firm Size					
Age (40 to 60 Y)	Correlation Coefficient	.278**	.186*	.394**	.392**	.157*	.213**	−.231**	−.322**	.593**	.369**	.181*					
	Sig. (2-tailed)	0.000	0.010	0.000	0.000	0.030	0.003	0.001	0.000	0.000	0.000	0.013					
	N	191	191	191	191	191	191	191	191	190	191	188					
		Postgrad degree	Male	Suadi	Engineering	Management & Business	Marketing & Economic	Age < 40 Y	Age (40 to 60 Y)	Experience < 20 Y	Experience (20 to 30 Y)	Experience 31 Y & >	Board Size	Foreign Ownership	Government Ownership	Firm Size	Tobin's Q
Age > 60 Y	Correlation Coefficient	.294**	.412**	.304**	.276**	.197**	.185*	−.224**	−.322**	−.379**	−.284**	.779**	.422**	.276**	.174*	.367**	−.156*
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.006	0.010	0.002	0.000	0.000	0.000	0.000	0.000	0.000	0.016	0.000	0.033
	N	191	191	191	191	191	191	191	191	190	190	190	191	191	191	188	188

amounted to 59.2% of boards who employ across three different age groups, compared to other boardroom sizes. It was also noted that board composition across three different age groups increased for seven, eight, and nine board members, then decreased; while boards of seven recorded as being more age diverse than boards of eight members. However, these three sizes of boardroom added up to 76.32% of the presence of three different age groups, compared to other boardroom sizes. This indicates that on a board of seven directors it is possible that there can be a diversity of age groups.

Table 5.43: Age Diversity for Various Board Sizes (2021).

			Cross-tabulation			Total
			Age Diversity			
			One Age Bundle	Two Different Age Groups	Three Different Age Groups	
Board Size	**3**	**Count**	0	1	0	1
		% Board Size	0%	100%	0%	100%
	4	**Count**	1	3	0	4
		% Board Size	25%	75%	0%	100%
	5	**Count**	3	11	3	17
		% Board Size	17.6%	64.7%	17.6%	100%
	6	**Count**	2	10	3	15
		% Board Size	13.3%	66.7%	20.0%	100%
	7	**Count**	6	19	15	40
		% Board Size	15%	47.5%	37.5%	100%
	8	**Count**	1	17	10	28
		% Board Size	3.6%	60.7%	35.7%	100%
	9	**Count**	4	27	33	64
		% Board Size	6.3%	42.2%	51.6%	100%
	10	**Count**	1	4	6	11
		% Board Size	9.1%	36.4%	54.5%	100%
	11	**Count**	0	5	6	11
		% Board Size	0%	45.5%	54.5%	100%
Total		**Count**	18	97	76	191
		% Board Size	9.4%	50.8%	39.8%	100%

There was significant correlation between age group and a firm's performance (using ROE and Tobin's Q), as shown above. A comparison of the average mean of perfor-

mance in relation to the boardroom and different age groups was undertaken to provide deeper insight. Table 5.44 shows that the mean ROA for three different age groups was higher than that for a boardroom comprising only one age group, and even higher for a board comprising two age groups. However, a boardroom comprising three age groups revealed a higher mean than a boardroom comprising only one age group. This shows that as board age diversity increases, the mean also increases, which might suggest a benefit of age diversity on a firm's performance.

Table 5.44: Mean Comparison of ROA and Tobin's Q for Age Diversity (2021).

	Age Diversity		Statistic	Std. Error
ROE	**One Age Group**	Mean	−0.0128	0.0372
	Two Different Age Groups	Mean	0.0385	0.0268
	Three Different Age Groups	Mean	0.1357	0.0160
ROA	**One Age Group**	Mean	0.0074	0.0132
	Two Different Age Groups	Mean	0.0439	0.0123
	Three Different Age Groups	Mean	0.0662	0.0082
Tobin's Q	**One Age Group**	Mean	1.2984	0.0328
	Two Different Age Groups	Mean	1.9581	0.2337
	Three Different Age Groups	Mean	1.6553	0.2166

5.11 Experience

As previously noted, available data for the year 2021 relating to board members' experience was gathered for 193 companies, and no data was available for 2016. Figure 5.10 shows there were 322 (23.6%) board members with experience of 20 years and under, 477 (35%) members with experience of between 20 to 30 years, and 564 (41.4%) members with experience of 31 years or more. The experience group of 31 years or more was dominant in the Saudi market.

Table 5.45 shows the multi-collinearity revealed between age groups and experience groups; many variables correlated with the age group of 40 years old and younger, and with the experience group of not more than 20 years (r_s = .775 p <.01). This result was seen for other age and experience groups also. However, slight differences showed up relating to some directors in the first age group who correlated with the second experience group, rather than with the first experience group.

Directors with experience of 20 years or under correlated to a director age of lower than 40 years old, and these two results also correlated with firm performance; ROE (r_s = .262 p <.05). However, differences emerged when the Tobin's Q was seen as (r_s = .187 p <.05). This positive association revealed the value of the younger age

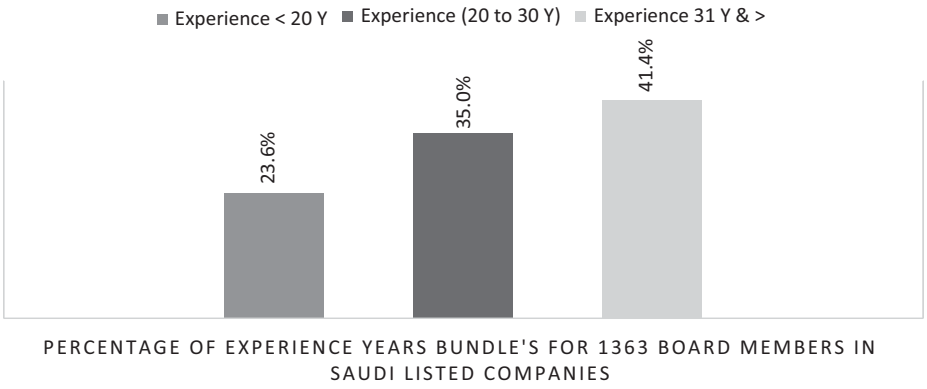

Figure 5.10: Diversity of Experience in the Boardroom.

group, who also had lower levels of experience. Moreover, correlation between the younger age group and those directors with an Accounting and Finance background also correlated with a higher level of experience (20–30 years), rather than the group with the least experience (r_s = .223 p <.01). Directors who possessed a post-graduate degree correlated with the third group of experience only (r_s = .372 p <.01), and not with second and third groups for age. This result contrasted with the results for those directors who possessed only a bachelor's degree, whereby correlation was divided between the second and third groups for experience, rather than the second group relating to age. All other variables correlated with all experience groups, in common with age groups correlations; in this context there is no need to revisit this discussion again, suffice the above discussion about age groups.

A cross-tabulation test was used to demonstrate the distribution of directors' experience according to different boardroom sizes. Table 5.46 shows that 60.1% of the data sample worked on boardrooms comprising three experience groups; 35.2% on boards comprising two different experience groups; and 4.7% of only one experience group. The highest frequency in number was 45 out of 193 companies that had a board size of nine directors, and three experience groups. As board size increased, experience diversity also increased. This test, together with the correlation test, shows that as board size increases, the chances of having a multi-experienced board also increases.

There was significant correlation between different experience groups with a firm's performance (using ROE and Tobin's Q). The group with lower experience levels showed significant correlation with firm performance. To provide more insight, a comparison of the average mean of firm board performance for the different experience groups was undertaken. Table 5.47 shows that the mean ROA and ROE increases as the experience band increases. The mean of the three different experience groups was higher than that for a boardroom comprising only one experience group, and slightly above that for a board comprising two experience groups. However, the mean

Table 5.45: The Correlation of Diversity of Experience with Other Variables (2021).

		Age < 40 Y	Age > 60 Y	Experience 31 Y & >	ROE	Tobin's Q												
Experience < 20 Y	Correlation Coefficient	.775**	−.379**	−.481**	.262*	.187*												
	Sig. (2-tailed)	0.000	0.000	0.000	0.022	0.010												
	N	190	190	193	76	189												
		First degree	Male	Suadi	Accounting & Finance	Age (40 to 60 Y)	Age > 60 Y	Experience 31 Y & >	Board Size									
Experience (20 to 30 Y)	Correlation Coefficient	.194**	.234**	.279**	.223**	.593**	−.284**	−.272**	.201**									
	Sig. (2-tailed)	0.007	0.001	0.000	0.002	0.000	0.000	0.000	0.005									
	N	193	193	193	193	190	190	193	193									
		First degree	Postgrad degree	Male	Suadi	Engineering	Management & Business	Marketing & Economic	Others	Age < 40 Y	Age > 60 Y	Experience < 20 Y	Experience (20 to 30 Y)	Board Size	Foreign Ownership	Government Ownership	Firm Size	Tobin's Q
Experience 31 Y & >	Correlation Coefficient	.165*	.372**	.530**	.401**	.267**	.258**	.196**	.151*	−.353**	.779**	−.481**	−.272**	.545**	.309**	.216**	.443**	−.172*
	Sig. (2-tailed)	0.022	0.000	0.000	0.000	0.000	0.000	0.006	0.036	0.000	0.000	0.000	0.000	0.000	0.000	0.003	0.000	0.018
	N	193	193	193	193	193	193	193	193	190	190	193	193	193	193	193	189	189

Table 5.46: Diversity of Experience for Various Board Sizes (2021).

			Cross-Tabulation			Total
			Experience Diversity			
			One Experience Group	Two Different Experience Groups	Three Different Experience Groups	
Board Size	**3**	**Count**	0	2	0	2
		% Board Size	0%	100%	0%	100%
	4	**Count**	0	2	1	3
		% Board Size	0%	66.70%	33.30%	100%
	5	**Count**	2	9	7	18
		% Board Size	11.10%	50%	38.90%	100%
	6	**Count**	1	6	8	15
		% Board Size	6.70%	40%	53.30%	100%
	7	**Count**	2	15	23	40
		% Board Size	5%	37.50%	57.50%	100%
	8	**Count**	1	13	15	29
		% Board Size	3.40%	44.80%	51.70%	100%
	9	**Count**	3	16	45	64
		% Board Size	4.70%	25%	70.30%	100%
	10	**Count**	0	3	8	11
		% Board Size	0%	27.30%	72.70%	100%
	11	**Count**	0	2	9	11
		% Board Size	0%	18.20%	81.80%	100%
Total		**Count**	9	68	116	193
		% Board Size	4.70%	35.20%	60.10%	100%

of Tobin's Q showed an increase at two experience bands, and this could indicate that experience diversity impacts firm performance.

Table 5.47: Comparison of the Mean Results of the ROA and Tobin's Q Relating to Diversity of Experience (2021).

	Experience Diversity		Statistic	Std. Error
ROE	**One Experience Group**	**Mean**	−0.0717	0.1319
	Two Different Experience Groups	**Mean**	0.0545	0.0418
	Three Different Experience Groups	**Mean**	0.1053	0.0138
Performance	**One Experience Group**	**Mean**	0.0296	0.0227
	Two Different Experience Groups	**Mean**	0.0433	0.0194
	Three Different Experience Groups	**Mean**	0.0592	0.0076
Tobin's Q	**One Experience Group**	**Mean**	1.1550	0.0749
	Two Different Experience Groups	**Mean**	2.0941	0.3506
	Three Different Experience Groups	**Mean**	1.7315	0.1810

5.12 Summary

This chapter has presented a statistical analysis of the relationship between diversity types and other firm variables. Positive and negative relationships between the variables were found. Moreover, some variables were shown to intersect so as to confirm certain relationships. Some types of diversity are poorly represented, such as gender and nationality, while other types, such as educational level, background, age, and experience, are far better represented across the market as a whole. The results also show that ownership structure might play a significant role in the market, in terms of increasing/decreasing the representations of certain boardroom diversity types.

Overall, the results provided the researcher with extensive information about the Saudi market. The descriptive data proved to be valuable in order to gain an in-depth insight into boardroom composition in Saudi Arabia. The next chapter will discuss the findings of the study and present its conclusions.

6 Recommendations and Conclusion

6.1 Introduction

The board of directors is one of the most important mechanisms of corporate governance for protecting stakeholders. The composition of the boardroom is an essential driver for an effective business. Many countries, especially developed ones, adopt diversity as part of their corporate governance regulations, to try to ensure the fair representation of a variety of stakeholders. However, only a few developing countries have adopted boardroom diversity regulations. This may be due to cultural and organisational factors that work to resist boardroom diversity, but this can put some countries behind the curve when it comes to female representation, for example. This book has sought to enhance the endeavour of increasing board diversity, and its potential implications for board effectiveness in Saudi Arabian listed companies. In order to do this, it was useful to capture the shifts taking place in Saudi Arabia. This helped the researcher identify issues of board diversity and develop recommendations for policymakers to increase board diversity based on market data.

The analysis of the secondary data was used as a starting point to obtain an idea about the extent of board diversity in the market. The aim was to capture changes that took place between 2016 to 2021, during a transition period relating to the 2030 Vision. Using Saudi Arabia as a context, the study revealed information about the extent of diversity practised in boardrooms, the impact of social dimensions on board diversity, and how a diverse board can influence its effectiveness. The study also put forward recommendations for policymakers, as well as looking at the implications of board diversity in relation to the National Vision 2030. It is anticipated that this investigation will contribute to a body of research that offers an understanding of how board diversity is perceived in emerging economic settings, such as Saudi Arabia, and how, in some cases, fast change is now being pushed through cultural, legal and political frameworks.

The findings revealed that the Vision 2030 and board diversity are interrelated in collaboration to fashion future employment trends and the development of the capital market in Saudi Arabia. A diverse board could help to bridge employment gaps and place emphasis on social change (e.g., the employment of women, younger people, and foreign talent). Diverse boardrooms can offer enhanced strategic thinking and better corporate governance, which will advance the capital market as a whole. More diverse boards could help align company strategy with the Vision 2030. Consequently, this might work to attract foreign investment; pulling in international investment is one of main objectives of the Vision 2030, which seeks to enhance economic and social life.

This current study was planned in 2017, and, since then, positive change has occurred in Saudi Arabia in relation to the empowerment of women. Women are now

https://doi.org/10.1515/9783110741735-006

allowed to drive cars, something that had been previously prohibited by regulation and social norms. The IPOs of newer companies, such as Aramco, have adopted gender diversity in the boardroom, which shows that diversity is vital to the Vision 2030. Moreover, more women can now work in leadership positions in public organisations, including as ambassadors, and university presidents (Inbc, 2020), as deputy ministers (Day, 2020), as cultural attachés (Arab News, 2020), and as heads of regional councils (Naar, 2020), among other roles. The number of unemployed women in the country has also dropped by 13.9% over the past four years, and female employment has now taken over male employment (Albilad, 2020).

Some social and cultural norms can impede or prevent board diversity (see Chapter 2). For example, Saudi Arabia is a collective culture, and individual loyalty to a group or family impacts recruitment practices (Idris, 2007). This approach often results in social obligation, such as '*wast*' or nepotism (Al.Harbi et al., 2017). Also, the different schools of thought in Islam work to influence people's beliefs within the same religious faith, and Saudi Arabia is a patriarchal society, where men dominate the boardroom and companies. All these aspects mean that legislation is needed to introduce diversity. There is also a fixed power hierarchy (as identified by Hofstede) where the Government sits at the top, and it is the Government that needs to work to overcome challenges, and to decrease feelings of uncertainty and avoidance in the community.

The next section will summarise the research recommendations and practical contributions made by the study used as the monograph for this book, and briefly outline of the limitations of the study. Finally, suggestions for future research will be discussed.

6.2 Recommendations

This current book offers several recommendations for policymakers. Firstly, it recommends adopting coercive rules to promote board diversity, especially, by improving quotas for women. These plans can be adopted gradually via regulation, as has happened in Malaysia and in other countries, to begin to create a pipeline for female talent in top management. Also, adopting guidance in relation to age and different nationalities is recommended, especially if a business operates multi-nationally, for example. Coercive regulations should also emphasise the importance of diversity of educational background, education level, and expertise.

Recommendations were identified to increase boardroom diversity, such as the recommendation to legislate for diversity, increase regulation, and make companies disclose more information about their diversity practices and diversity strategy in their reports. Moreover, it is important to generate more awareness about the benefits of diversity, and in this respect, an article could be added to the CGC relating to the nomination committee, or a separate code created for best practices, for example,

something similar to that which is implemented in the UK (the UK FRC, Guidance on Board Effectiveness). These suggestions are made to encourage discussion and the application diversity in Saudi Arabian companies, and to develop investor awareness of board diversity. All this might result in encouraging companies compete to implement more diverse boardrooms.

Those directors who come from a HR background to work on nomination committees could boost appointments and operational diversity within the boardroom. This would help state owners employ more diverse boards, as state ownership represents a significant portion of the market in Saudi Arabia, and could speed-up board diversity practices (e.g., like in the UAE). The State could get assistance from external sources, such as from head-hunting organisations. This approach is suggested because the pool of nominations sometimes does not fulfil the purposes of diversity. It could be worthwhile to support a candidate who has obtained fewer votes, but who does not have a connection to the voters, if he or she has the right skills and talent, and could fulfil diversity needs in the boardroom. All this could help speed-up operations and the shift towards diversity in the Saudi market and it could boost boardroom effectiveness.

Board evaluations should be mandatory and undertaken by independent organisations. This might help to eliminate current problems that are holding back firms in the market, such as passive directors, wrong candidate selection, and a lack of accountability for board members. Article 41 of the Saudi CGC highlights the importance of evaluations, but issues this advice as guidance only, rather than as a rule of law. Robust social ties in the Saudi community also make it difficult to trust evaluations undertaken by the company itself. This is because some companies are family run, or there a social relationship between individuals serving in boardrooms which could introduce bias into the evaluation. Often, these relationships lead to the practice of "rubber-stamping" among directors. Thus, potentially, assessments undertaken by independent organisations can be more accurate and relevant. Many passive directors might be replaced by new directors from a female or younger demographic, who are more willing to participate in the boardroom. Moreover, this approach could work as a way of securing effective board member selections on the second try; ensuring the right selection of directors if the selection failed at the first attempt.

The current study and previous research have highlighted a lack of independent directors in the market generally. Thus, introducing more regulations for the selection of independent directors is needed. Saudi culture is based on strong social ties and is influenced by a hierarchical culture structure. This seems to impact the independent selection of directors to the boardroom. Therefore, more regulations to enforce independent board selection are needed. This approach can be implemented by registering all those who wish to obtain a job as independent members; registering their names and qualifications in a special record under the management of the CMA, which can then distribute this information to relevant companies. Hiring independent directors via head-hunting companies might also encourage more independent

foreign directors, and creating a senior independent director position to oversee independence would help to enforce this rule.

Furthermore, the introduction of mandatory workshops by the CMA for all directors, including new directors (i.e., an orientation programme) could make them aware of important regulations and help to encourage board independence. This could work by creating a separate entity under the CMA to develop awareness of best practices. This might include improving awareness of the role of the independent director and explaining how this is an essential mechanism of CG. Lastly, increasing board diversity could work to increase the independence of board directors, as suggested in this current study, and in previous studies.

6.3 Practical Contributions

At a practical level, this book might be of importance to shareholders, owners, directors, policymakers, and stakeholders. Furthermore, this book seeks to contributed to practice by offering recommendations. The recommendations focus on enacting several laws through the legislators and raising the awareness of firms and ownership structures, in addition to offering training in order to promote boardroom diversity. These suggestions were gathered based on a secondary data analysis. Additionally, the book seeks to align itself with research into the Saudi Vision 2030, a plan that aims to implement corporate governance reforms in Saudi Arabia; the findings outlined in book seek to contribute to the achievement of the Vision 2030. The findings might also be informative to shareholders when appointing new board members, to potential investors seeking to invest in Saudi Arabia from overseas, and academics who might be seeking to conduct corporate governance research.

6.4 The Implications of the Book

The results outlined in this monograph are not generalisable, but could be useful to other countries with the same cultural backgrounds as Saudi Arabia (e.g., GCC countries). These countries are Bahrain, the United Arab Emirates, Kuwait, Qatar, and Oman, who share some commonality of social structure and economics. The Kingdom of Saudi Arabia borders all these countries and is the largest country among these countries; this creates a strong relationship between tribes who share the same religion, values, and norms. Furthermore, all the GCC countries depend mainly on natural resources (e.g., oil) for their economic income, and, due to this, have experienced changes in standards of living and lifestyle over time (At-Twaijri and Al-Muhaiza, 1996). These countries are also mainly community based and patriarchal. According to Alhashmi (2018), female representation in GCC countries is still weak;

only 9% of those who serve on local councils are women and in public parliaments, compared to 29.1% internationally, and 18.8% in other Arab countries.

GCC countries differ in the progress each has made towards board diversity (e.g., hiring female directors). According to Hamdan (2005, p. 55) achievement in this respect in Saudi Arabia is insufficient when, "other Gulf nations such as Kuwait and Bahrain that, though consisting of tribal families, do not restrict women's participation in public life." For example, in 1994 Oman was the first country to allow women to nominate themselves for Parliament and for the local council, followed by Qatar in 1999, then Bahrain in 2001, Kuwait in 2005, and the United Arab Emirates in 2006, with Saudi Arabia allowing this in 2015 (Alhashmi, 2018). Nowadays, these countries compete to adopt more regulations and economic reforms for gender equality and diversity targeting to secure economic benefits (Ugwumadu, 2019).

According to a OECD (2019) report, the G20/OECD recommendations for corporate governance encourages board evaluation and assessing for boardroom diversity to enhance gender diversity in boardroom and executive positions. The OECD report shows that no country has adopted quotas for female directors among the MENA countries, including the GCC countries, except for the UAE. However, even in the UAE, the quota is limited to companies who are state owned, and which only require 20% of females to work on their boards, and to disclose yearly statistical information for board gender diversity. State ownership plays a vital role in GCC countries and works to improve corporate governance. Abdallah and Ismail (2017) reveal that when there is state ownership in GCC companies, corporate governance is associated positively with company performance. One of the recommendations of the current study is to support state owners to enhance board diversity, simply because state ownership occupies such a big share of the market. It might also be relevant to imply for other GCC countries to adopt rules already adopted in the UAE.

The OECD (2019) have reported on the percentage of Middle Eastern companies who hire women to their boardrooms as follows: Oman 19%, Bahrain 19%, Kuwait 18%, the United Arab Emirates (UAE DIFC 17% and UAE Federal 15%), Qatar 11%, and Saudi Arabia 7%. These low representations of women show that a problem still exists with the idea of board diversity in relation to gender. A study by Sarhan et al. (2019) suggests that, in some Arab countries, including in Oman, Saudi Arabia, and in the UAE (the GCC countries) board diversity is not thought of in terms of its social impact, but only in terms of its cost-benefits. A recent study of GCC countries by Arayssi et al. (2020) reveals that board composition (i.e., independent directors and women) contributes to the equilibrium between a company's social responsibility and financial benefits. This monograph has underpinned and recommended the importance of independent directors, as well as increasing awareness of board diversity, aligning itself with the goals of some GCC countries in suggesting that board diversity can benefit listed companies in GCC countries.

Awareness needs to be created about the positive importance of increasing boardroom diversity both socially and financially. It would be interesting to show people

how the logics of diversity can bring benefits to society. This endeavour is also important in order to speed-up change. In the context of the social norms that are influenced by the Islamic religion, it could be valuable to seek the contributions of Islamic leaders (*al-shikkas*) to encourage board diversity and to show that there no barriers from the Islamic perspective. This book has shown that there are no religious obstacles to board diversity, but it would be important to get the opinions of the different schools of thought in Islam, and from Islamic leaders. Lastly, it would be good to cooperate with experts from both genders to create an institution or an office for training and consulting which is dedicated to increase boardroom diversity.

6.5 The Limitations of the Study and Avenues for Future Research

In common with other research, the monograph has some limitations as outlined below:

Limitations were experienced when undertaking the secondary data analysis. The data was collected manually from board reports as required by the new Corporate Governance code, including information on education. The researcher was able to collect some information on gender, nationality, educational level, and educational background, but it was difficult to access comprehensive information on age, tenure, and experience for the year 2016. This also was difficult for the year 2021, but it was possible to collect some data (e.g., age and experience).

Another limitation of the secondary data analysis was that, although information was collected from several sources, it was limited to just the two years; board structure has not changed much during the past few years, and there was a lack of information about previous years. This undertaking would also have required collecting information about a period of major changes in board structure. In addition, company performance was heavily influenced by low oil prices and a series of reforms in the country in 2016, while high prices dominated in 2021.

The generalisation of this study was also limited to the Kingdom of Saudi Arabia, in spite of any similarities and differences between some Gulf countries. There is a presence of some similarities in the cultural and religious structure of the Gulf countries, but differences also make it difficult to generalise.

The monograph has attempted to address gaps in research about board diversity in emerging economies, such as Saudi Arabia. Future research might seek to undertake a cross-national study of emerging economies, such as the GCCs, or Middle Eastern and North African MENA countries. In this respect, wide differences, including political, cultural, and business environments would affect the results. It would be interesting to explore a range of diversity types, such as gender, age, and nationality, in relation to these countries. Moreover, most of these countries practise the Islamic faith, and different schools of thought in these countries would reap interesting results, especially in relation to the representation of women in boardrooms.

The monograph has relied on company disclosed data and statistical analysis. Future work could open the Blackbox (the boardroom) using other research tools, such as interviews, focus groups, and questionnaires. This will allow in-depth insight into the boardroom. It could highlight barriers that restrict diversity within a boardroom (e.g., addressing the low number of females to serve on boards).

Although this monograph investigates the boardroom, future research could include C-level (executive management), and investigate these areas further to assess whether changes are likely in practices and in traditions in relation to board diversity. Furthermore, future research could apply a mixed methods approach, and integrate quantitative and qualitative data results. It might also use other techniques of data collection, such as questionnaires completed by stakeholders, to explore how they perceive board diversity.

This book has focused on board diversity in listed companies, but future publications might seek to expand the data to non-listed companies. This would be to compare factors that influence board diversity in non-listed companies with those found in listed companies. Additionally, the current monograph looks at institutional, foreign, and family ownership structure, and alludes to government institutional ownership, while future research might investigate the impact of government ownership as separate to institutional companies.

Finally, another useful avenue for future study might be to undertake field research to investigate the level of spread of the new diversity logic within organisations, across different industries and across various ownership structures, studying in particular the role of internal actors. The investigation of different sectors might reveal different kinds of acceptance and resistance to different diversity types.

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Appendices

Appendix 1: Variables used for the Measurements

Variables	Measurements
Gender	Number of male and female members.
Nationality	Number of Saudi and foreign members.
Qualification Level	Number of diploma or lower, first degree, and post-graduate degree members.
Education Background	Number of accounting and finance, engineering, law, computing and science, marketing and economics, management and business, and other backgrounds members.
Age	Number of age < 40 Y, age (40 to 60 Y), and age > 60 Y members.
Experience	Number of experience < 20 Y, experience < 20 Y, and experience 31 Y & > members.
Average Pay	Total board member compensation divided by numbers.
Foreign Ownership	Percentage of foreign ownership of the company.
Family Ownership	Percentage of family ownership of the company.
Institutional Ownership	Percentage of Government and other firm ownership of the company. (used in 2016)
Companies Ownership	Percentage of Government and other firm ownership of the company. (used in 2021)
Government Ownership	Percentage of Government ownership. (used in 2021)
Firm Size	Log of total assets.
ROA	Measured according to earnings before interest and taxes EBIT divided by total assets.
Board Size	Number of directors sitting on the board.
Leverage	Measured as long-term debt divided by total assets.
IND	Industry dummy variable that used 1 for financial firms and 0 for all other firms.
Tobin's Q	Measured as equity market value + liability market value, divided by equity book value + liability book value.
Member Classification	Position of the members on the board (e.g. non-executive, independent, etc.).
Sectors	The core of the business (e.g. industrial, financial).
Regions	The location of the company as divided into five regions (e.g. Central, North, etc.).

Diversity Types - Firm and Other Variables Used

https://doi.org/10.1515/9783110741735-008

Appendix 2: Correlation Table 2016

https://doi.org/10.1515/9783110741735-009

			Diploma or lower	First degree	Post-grad degree	Female	Male	Foreign	Suadi	Account-ing & Finance	Engi-neering	Comput-ing & Science
Spearman's rho	Diploma or lower	Correlation Coefficient	1.000	−0.055	−0.032	−0.043	−0.054	−.278**	0.129	0.027	−0.028	−0.131
		Sig. (2-tailed)		0.585	0.750	0.666	0.595	0.005	0.199	0.791	0.785	0.205
		N	101	101	101	101	101	101	101	96	96	96
	First degree	Correlation Coefficient	−0.055	1.000	−.197*	−0.085	.296**	−0.089	.360**	0.194	.230*	0.172
		Sig. (2-tailed)	0.585		0.048	0.400	0.003	0.376	0.000	0.058	0.024	0.094
		N	101	101	101	101	101	101	101	96	96	96
	Postgrad degree	Correlation Coefficient	−0.032	−.197*	1.000	0.093	0.162	0.124	0.084	0.181	0.186	0.176
		Sig. (2-tailed)	0.750	0.048		0.355	0.105	0.217	0.401	0.077	0.070	0.087
		N	101	101	101	101	101	101	101	96	96	96
	Female	Correlation Coefficient	−0.043	−0.085	0.093	1.000	−0.081	.224**	−0.104	0.122	−0.163	−0.013
		Sig. (2-tailed)	0.666	0.400	0.355		0.288	0.003	0.169	0.231	0.108	0.901
		N	101	101	101	176	176	176	176	98	98	98
	Male	Correlation Coefficient	−0.054	.296**	0.162	−0.081	1.000	0.093	.795**	−0.061	.251*	0.195
		Sig. (2-tailed)	0.595	0.003	0.105	0.288		0.220	0.000	0.549	0.013	0.055
		N	101	101	101	176	176	176	176	98	98	98
	Foreign	Correlation Coefficient	−.278**	−0.089	0.124	.224**	0.093	1.000	−.450**	0.028	−0.130	0.002
		Sig. (2-tailed)	0.005	0.376	0.217	0.003	0.220		0.000	0.787	0.201	0.986
		N	101	101	101	176	176	176	176	98	98	98
	Suadi	Correlation Coefficient	0.129	.360**	0.084	−0.104	.795**	−.450**	1.000	−0.055	.294**	0.160
		Sig. (2-tailed)	0.199	0.000	0.401	0.169	0.000	0.000		0.590	0.003	0.116
		N	101	101	101	176	176	176	176	98	98	98
	Account-ing & Finance	Correlation Coefficient	0.027	0.194	0.181	0.122	−0.061	0.028	−0.055	1.000	0.042	0.038
		Sig. (2-tailed)	0.791	0.058	0.077	0.231	0.549	0.787	0.590		0.679	0.709
		N	96	96	96	98	98	98	98	98	98	98
	Engineer-ing	Correlation Coefficient	−0.028	.230*	0.186	−0.163	.251*	−0.130	.294**	0.042	1.000	−0.031
		Sig. (2-tailed)	0.785	0.024	0.070	0.108	0.013	0.201	0.003	0.679		0.764
		N	96	96	96	98	98	98	98	98	98	98
	Comput-ing & Science	Correlation Coefficient	−0.131	0.172	0.176	−0.013	0.195	0.002	0.160	0.038	−0.031	1.000
		Sig. (2-tailed)	0.205	0.094	0.087	0.901	0.055	0.986	0.116	0.709	0.764	
		N	96	96	96	98	98	98	98	98	98	98
	Manage-ment & Business	Correlation Coefficient	−0.025	.349**	.241*	−0.082	0.169	−0.052	0.192	0.021	−0.069	0.007
		Sig. (2-tailed)	0.811	0.000	0.018	0.423	0.096	0.614	0.058	0.840	0.497	0.945
		N	96	96	96	98	98	98	98	98	98	98

Management & Business	Marketing & Economics	Law	Others	Board-Size	Avrage Pay	Foreign Ownership	Family Ownership	Institutional Ownership	Performance	Firm Size	Leverage	Tobin's Q	IND
−0.025	−0.125	0.118	.512**	−0.061	0.005	0.113	0.030	−.207*	−0.050	−0.082	−0.119	−0.172	0.003
0.811	0.226	0.251	0.000	0.545	0.966	0.264	0.764	0.041	0.626	0.424	0.245	0.090	0.975
96	96	96	96	101	78	100	100	98	98	98	98	98	101
.349**	.308**	0.030	0.005	.275**	−0.015	0.068	0.171	−0.107	0.163	−0.027	0.050	0.084	−0.057
0.000	0.002	0.770	0.965	0.005	0.898	0.498	0.088	0.294	0.109	0.790	0.624	0.413	0.572
96	96	96	96	101	78	100	100	98	98	98	98	98	101
.241*	.294**	0.170	−0.029	0.172	0.147	0.056	−0.053	.208*	−0.017	.244*	−0.150	−0.100	0.095
0.018	0.004	0.097	0.779	0.086	0.199	0.577	0.599	0.040	0.867	0.015	0.139	0.326	0.345
96	96	96	96	101	78	100	100	98	98	98	98	98	101
−0.082	−0.057	0.192	−0.119	0.063	0.059	0.087	0.110	0.012	−0.123	0.025	0.011	0.019	0.086
0.423	0.579	0.058	0.244	0.408	0.495	0.252	0.146	0.879	0.110	0.746	0.888	0.804	0.256
98	98	98	98	176	135	175	175	171	171	171	171	171	176
0.169	.286**	0.034	0.055	.988**	.258**	−0.005	−0.044	.257**	0.024	.409**	0.074	−0.072	0.137
0.096	0.004	0.740	0.592	0.000	0.002	0.944	0.560	0.001	0.755	0.000	0.338	0.351	0.069
98	98	98	98	176	135	175	175	171	171	171	171	171	176
−0.052	.244*	−0.080	−.316**	0.132	−.233**	.405**	−.186*	.352**	−0.124	−0.083	0.075	−0.008	.460**
0.614	0.015	0.435	0.002	0.080	0.007	0.000	0.014	0.000	0.105	0.279	0.332	0.921	0.000
98	98	98	98	176	135	175	175	171	171	171	171	171	176
0.192	0.127	0.071	.227*	.775**	.368**	−.243**	0.111	−0.011	0.073	.415**	0.041	−0.068	−.155*
0.058	0.211	0.488	0.025	0.000	0.000	0.001	0.143	0.882	0.342	0.000	0.595	0.376	0.040
98	98	98	98	176	135	175	175	171	171	171	171	171	176
0.021	.247*	−0.039	−0.198	−0.049	−0.098	0.033	0.131	0.092	−0.021	0.038	−0.031	−.228*	0.065
0.840	0.014	0.705	0.051	0.635	0.406	0.747	0.203	0.377	0.842	0.712	0.765	0.026	0.523
98	98	98	98	98	74	97	97	95	95	95	95	95	98
−0.069	−0.072	0.089	−0.098	.230*	0.078	−0.026	0.052	0.023	0.133	0.199	−0.014	−0.079	−0.110
0.497	0.484	0.386	0.337	0.023	0.506	0.799	0.610	0.829	0.198	0.053	0.892	0.447	0.279
98	98	98	98	98	74	97	97	95	95	95	95	95	98
0.007	.244*	−0.025	0.085	0.195	0.142	−0.097	0.095	0.009	0.162	0.141	−0.012	−0.014	−0.075
0.945	0.016	0.808	0.407	0.054	0.228	0.345	0.355	0.931	0.118	0.172	0.911	0.891	0.464
98	98	98	98	98	74	97	97	95	95	95	95	95	98
1.000	0.089	−0.034	−0.127	0.157	0.066	−0.083	0.178	−0.068	0.168	−0.064	−0.030	0.092	−0.023
	0.383	0.741	0.213	0.123	0.574	0.420	0.081	0.512	0.104	0.538	0.772	0.377	0.825
98	98	98	98	98	74	97	97	95	95	95	95	95	98

(continued)

			Diploma or lower	First degree	Post-grad degree	Female	Male	Foreign	Suadi	Account-ing & Finance	Engi-neering	Comput-ing & Science
Spearman's rho	Market-ing & Economics	Correlation Coefficient	−0.125	.308**	.294**	−0.057	.286**	.244*	0.127	.247*	−0.072	.244*
		Sig. (2-tailed)	0.226	0.002	0.004	0.579	0.004	0.015	0.211	0.014	0.484	0.016
		N	96	96	96	98	98	98	98	98	98	98
	Law	Correlation Coefficient	0.118	0.030	0.170	0.192	0.034	−0.080	0.071	−0.039	0.089	−0.025
		Sig. (2-tailed)	0.251	0.770	0.097	0.058	0.740	0.435	0.488	0.705	0.386	0.808
		N	96	96	96	98	98	98	98	98	98	98
	Others	Correlation Coefficient	.512**	0.005	−0.029	−0.119	0.055	−.316**	.227*	−0.198	−0.098	0.085
		Sig. (2-tailed)	0.000	0.965	0.779	0.244	0.592	0.002	0.025	0.051	0.337	0.407
		N	96	96	96	98	98	98	98	98	98	98
	Board Size	Correlation Coefficient	−0.061	.275**	0.172	0.063	.988**	0.132	.775**	−0.049	.230*	0.195
		Sig. (2-tailed)	0.545	0.005	0.086	0.408	0.000	0.080	0.000	0.635	0.023	0.054
		N	101	101	101	176	176	176	176	98	98	98
	Avrage Pay	Correlation Coefficient	0.005	−0.015	0.147	0.059	.258**	−.233**	.368**	−0.098	0.078	0.142
		Sig. (2-tailed)	0.966	0.898	0.199	0.495	0.002	0.007	0.000	0.406	0.506	0.228
		N	78	78	78	135	135	135	135	74	74	74
	Foreign Ownership	Correlation Coefficient	0.113	0.068	0.056	0.087	−0.005	.405**	−.243**	0.033	−0.026	−0.097
		Sig. (2-tailed)	0.264	0.498	0.577	0.252	0.944	0.000	0.001	0.747	0.799	0.345
		N	100	100	100	175	175	175	175	97	97	97
	Family Ownership	Correlation Coefficient	0.030	0.171	−0.053	0.110	−0.044	−.186*	0.111	0.131	0.052	0.095
		Sig. (2-tailed)	0.764	0.088	0.599	0.146	0.560	0.014	0.143	0.203	0.610	0.355
		N	100	100	100	175	175	175	175	97	97	97
	Institu-tional Owner-ship	Correlation Coefficient	−.207*	−0.107	.208*	0.012	.257**	.352**	−0.011	0.092	0.023	0.009
		Sig. (2-tailed)	0.041	0.294	0.040	0.879	0.001	0.000	0.882	0.377	0.829	0.931
		N	98	98	98	171	171	171	171	95	95	95
	Perfor-mance	Correlation Coefficient	−0.050	0.163	−0.017	−0.123	0.024	−0.124	0.073	−0.021	0.133	0.162
		Sig. (2-tailed)	0.626	0.109	0.867	0.110	0.755	0.105	0.342	0.842	0.198	0.118
		N	98	98	98	171	171	171	171	95	95	95
	Firm Size	Correlation Coefficient	−0.082	−0.027	.244*	0.025	.409**	−0.083	.415**	0.038	0.199	0.141
		Sig. (2-tailed)	0.424	0.790	0.015	0.746	0.000	0.279	0.000	0.712	0.053	0.172
		N	98	98	98	171	171	171	171	95	95	95

Management & Business	Marketing & Economics	Law	Others	Board-Size	Avrage Pay	Foreign Ownership	Family Ownership	Institutional Ownership	Performance	Firm Size	Leverage	Tobin's Q	IND
0.089	1.000	0.059	−0.049	.277**	0.195	.232*	−0.115	.213*	0.132	.277**	−0.024	0.002	.206*
0.383		0.566	0.632	0.006	0.096	0.022	0.261	0.039	0.202	0.007	0.815	0.986	0.042
98	98	98	98	98	74	97	97	95	95	95	95	95	98
−0.034	0.059	1.000	0.091	0.066	0.081	0.089	−0.045	−0.188	−0.098	−0.064	−0.007	−0.050	−0.115
0.741	0.566		0.372	0.519	0.490	0.386	0.658	0.068	0.346	0.537	0.949	0.628	0.258
98	98	98	98	98	74	97	97	95	95	95	95	95	98
−0.127	−0.049	0.091	1.000	0.037	0.120	−0.057	−0.150	−.230*	−0.033	−0.097	−0.077	0.102	−0.102
0.213	0.632	0.372		0.720	0.307	0.579	0.141	0.025	0.753	0.351	0.460	0.324	0.320
98	98	98	98	98	74	97	97	95	95	95	95	95	98
0.157	.277**	0.066	0.037	1.000	.266**	0.005	−0.036	.262**	−0.001	.419**	0.077	−0.074	.152*
0.123	0.006	0.519	0.720		0.002	0.947	0.632	0.001	0.989	0.000	0.318	0.338	0.044
98	98	98	98	176	135	175	175	171	171	171	171	171	176
0.066	0.195	0.081	0.120	.266**	1.000	−0.149	0.062	0.011	0.027	.519**	−0.064	−0.051	−0.140
0.574	0.096	0.490	0.307	0.002		0.085	0.475	0.900	0.759	0.000	0.459	0.558	0.105
74	74	74	74	135	176	135	135	135	135	135	135	135	135
−0.083	.232*	0.089	−0.057	0.005	−0.149	1.000	−0.069	0.009	−0.085	−0.131	−0.044	−0.036	.414**
0.420	0.022	0.386	0.579	0.947	0.085		0.365	0.912	0.269	0.088	0.564	0.639	0.000
97	97	97	97	175	135	176	175	171	171	171	171	171	176
0.178	−0.115	−0.045	−0.150	−0.036	0.062	−0.069	1.000	−.291**	.162*	−0.086	−0.123	0.059	−.258**
0.081	0.261	0.658	0.141	0.632	0.475	0.365		0.000	0.034	0.262	0.109	0.445	0.001
97	97	97	97	175	135	175	176	171	171	171	171	171	175
−0.068	.213*	−0.188	−.230*	.262**	0.011	0.009	−.291**	1.000	0.073	.326**	0.066	0.133	.197**
0.512	0.039	0.068	0.025	0.001	0.900	0.912	0.000		0.346	0.000	0.393	0.083	0.010
95	95	95	95	171	135	171	171	176	171	171	171	171	171
0.168	0.132	−0.098	−0.033	−0.001	0.027	−0.085	.162*	0.073	1.000	0.044	−0.100	.407**	−.168*
0.104	0.202	0.346	0.753	0.989	0.759	0.269	0.034	0.346		0.565	0.193	0.000	0.028
95	95	95	95	171	135	171	171	171	176	171	171	171	171
−0.064	.277**	−0.064	−0.097	.419**	.519**	−0.131	−0.086	.326**	0.044	1.000	.178*	−.298**	−0.085
0.538	0.007	0.537	0.351	0.000	0.000	0.088	0.262	0.000	0.565		0.020	0.000	0.271
95	95	95	95	171	135	171	171	171	171	176	171	171	171

(continued)

			Diploma or lower	First degree	Post-grad degree	Female	Male	Foreign	Suadi	Account-ing & Finance	Engi-neering	Comput-ing & Science
Spearman's rho	Leverage	Correlation Coefficient	−0.119	0.050	−0.150	0.011	0.074	0.075	0.041	−0.031	−0.014	−0.012
		Sig. (2-tailed)	0.245	0.624	0.139	0.888	0.338	0.332	0.595	0.765	0.892	0.911
		N	98	98	98	171	171	171	171	95	95	95
	Tobin's Q	Correlation Coefficient	−0.172	0.084	−0.100	0.019	−0.072	−0.008	−0.068	−.228*	−0.079	−0.014
		Sig. (2-tailed)	0.090	0.413	0.326	0.804	0.351	0.921	0.376	0.026	0.447	0.891
		N	98	98	98	171	171	171	171	95	95	95
	IND	Correlation Coefficient	0.003	−0.057	0.095	0.086	0.137	.460**	−.155*	0.065	−0.110	−0.075
		Sig. (2-tailed)	0.975	0.572	0.345	0.256	0.069	0.000	0.040	0.523	0.279	0.464
		N	101	101	101	176	176	176	176	98	98	98

**Correlation is significant at the 0.01 level (2-tailed).
*Correlation is significant at the 0.05 level (2-tailed).

Management & Business	Marketing & Economics	Law	Others	Board-Size	Avrage Pay	Foreign Ownership	Family Ownership	Institutional Ownership	Performance	Firm Size	Leverage	Tobin's Q	IND
−0.030	−0.024	−0.007	−0.077	0.077	−0.064	−0.044	−0.123	0.066	−0.100	.178*	1.000	−0.075	−0.059
0.772	0.815	0.949	0.460	0.318	0.459	0.564	0.109	0.393	0.193	0.020		0.332	0.441
95	95	95	95	171	135	171	171	171	171	171	176	171	171
0.092	0.002	−0.050	0.102	−0.074	−0.051	−0.036	0.059	0.133	.407**	−.298**	−0.075	1.000	−0.119
0.377	0.986	0.628	0.324	0.338	0.558	0.639	0.445	0.083	0.000	0.000	0.332		0.121
95	95	95	95	171	135	171	171	171	171	171	171	176	171
−0.023	.206*	−0.115	−0.102	.152*	−0.140	.414**	−.258**	.197**	−.168*	−0.085	−0.059	−0.119	1.000
0.825	0.042	0.258	0.320	0.044	0.105	0.000	0.001	0.010	0.028	0.271	0.441	0.121	
98	98	98	98	176	135	176	175	171	171	171	171	171	176

Appendix 3: Correlation Table 2021

https://doi.org/10.1515/9783110741735-010

			Diploma or lower	First degree	Post-grad degree	Female	Male	Foreign	Suadi	Accounting & Finance	Engineering	Computing & Science	Management & Business	Marketing & Economic	Law
Spearman's rho	Diploma or lower	Correlation Coefficient	1.000	−0.125	−.144*	−0.041	0.009	−0.103	0.045	−0.062	−.139*	0.043	−0.074	0.071	0.066
		Sig. (2-tailed)		0.077	0.042	0.562	0.900	0.144	0.528	0.386	0.049	0.545	0.298	0.319	0.352
		N	201	201	201	201	201	201	201	201	201	201	201	201	201
	First degree	Correlation Coefficient	−0.125	1.000	−.368**	−0.074	.408**	0.040	.360**	0.115	.300**	0.023	0.125	.140*	−0.045
		Sig. (2-tailed)	0.077		0.000	0.299	0.000	0.570	0.000	0.104	0.000	0.744	0.078	0.048	0.529
		N	201	201	201	201	201	201	201	201	201	201	201	201	201
	Postgrad degree	Correlation Coefficient	−.144*	−.368**	1.000	0.136	.494**	0.036	.405**	0.043	0.104	0.043	.394**	0.120	.173*
		Sig. (2-tailed)	0.042	0.000		0.054	0.000	0.613	0.000	0.546	0.143	0.544	0.000	0.091	0.014
		N	201	201	201	201	201	201	201	201	201	201	201	201	201
	Female	Correlation Coefficient	−0.041	−0.074	0.136	1.000	−0.077	0.101	0.071	−0.056	−0.010	0.024	0.052	0.069	0.095
		Sig. (2-tailed)	0.562	0.299	0.054		0.277	0.151	0.317	0.426	0.891	0.732	0.465	0.330	0.180
		N	201	201	201	202	202	202	202	201	201	201	201	201	201
	Male	Correlation Coefficient	0.009	.408**	.494**	−0.077	1.000	0.123	.752**	.153*	.288**	0.087	.431**	.204**	0.135
		Sig. (2-tailed)	0.900	0.000	0.000	0.277		0.080	0.000	0.030	0.000	0.218	0.000	0.004	0.056
		N	201	201	201	202	202	202	202	201	201	201	201	201	201
	Foreign	Correlation Coefficient	−0.103	0.040	0.036	0.101	0.123	1.000	−.438**	0.040	−0.112	−0.001	0.041	.178*	0.035
		Sig. (2-tailed)	0.144	0.570	0.613	0.151	0.080		0.000	0.570	0.115	0.989	0.562	0.012	0.618
		N	201	201	201	202	202	202	202	201	201	201	201	201	201
	Suadi	Correlation Coefficient	0.045	.360**	.405**	0.071	.752**	−.438**	1.000	0.115	.314**	0.080	.390**	0.101	0.038
		Sig. (2-tailed)	0.528	0.000	0.000	0.317	0.000	0.000		0.104	0.000	0.261	0.000	0.155	0.588
		N	201	201	201	202	202	202	202	201	201	201	201	201	201
	Accounting & Finance	Correlation Coefficient	−0.062	0.115	0.043	−0.056	.153*	0.040	0.115	1.000	−.228**	−0.029	−.205**	−0.003	−0.020
		Sig. (2-tailed)	0.386	0.104	0.546	0.426	0.030	0.570	0.104		0.001	0.680	0.003	0.965	0.773
		N	201	201	201	201	201	201	201	201	201	201	201	201	201
	Engineering	Correlation Coefficient	−.139*	.300**	0.104	−0.010	.288**	−0.112	.314**	−.228**	1.000	−0.004	−0.037	−0.065	0.051
		Sig. (2-tailed)	0.049	0.000	0.143	0.891	0.000	0.115	0.000	0.001		0.954	0.604	0.358	0.475
		N	201	201	201	201	201	201	201	201	201	201	201	201	201
	Computing & Science	Correlation Coefficient	0.043	0.023	0.043	0.024	0.087	−0.001	0.080	−0.029	−0.004	1.000	−0.077	−0.073	−0.108
		Sig. (2-tailed)	0.545	0.744	0.544	0.732	0.218	0.989	0.261	0.680	0.954		0.278	0.302	0.127
		N	201	201	201	201	201	201	201	201	201	201	201	201	201
	Management & Business	Correlation Coefficient	−0.074	0.125	.394**	0.052	.431**	0.041	.390**	−.205**	−0.037	−0.077	1.000	−.179*	−0.076
		Sig. (2-tailed)	0.298	0.078	0.000	0.465	0.000	0.562	0.000	0.003	0.604	0.278		0.011	0.283
		N	201	201	201	201	201	201	201	201	201	201	201	201	201
	Marketing & Economic	Correlation Coefficient	0.071	.140*	0.120	0.069	.204**	.178*	0.101	−0.003	−0.065	−0.073	−.179*	1.000	−0.020
		Sig. (2-tailed)	0.319	0.048	0.091	0.330	0.004	0.012	0.155	0.965	0.358	0.302	0.011		0.777
		N	201	201	201	201	201	201	201	201	201	201	201	201	201

Others	Age < 40 Y	Age (40 to 60 Y)	Age > 60 Y	Experience < 20 Y	Experience (20 to 30 Y)	Experience 31 Y & >	Board Size	Foreign Ownership	Family Ownership	Government Ownership	Companies Ownership	Firm Size	Leverage	ROE	ROA	Tobin's Q	IND
.310**	0.067	−0.065	0.001	0.022	0.047	−0.009	−0.008	−.164*	0.036	−0.067	0.014	−.154*	−0.043	0.184	0.025	.213**	−0.081
0.000	0.359	0.373	0.987	0.766	0.518	0.906	0.910	0.020	0.611	0.343	0.841	0.030	0.552	0.109	0.727	0.003	0.253
201	191	191	191	193	193	193	201	201	201	201	201	197	197	77	197	197	201
0.103	0.011	.278**	0.092	0.056	.194**	.165*	.397**	0.124	−0.027	0.017	0.133	0.128	−0.061	0.107	0.015	0.008	0.016
0.144	0.884	0.000	0.205	0.440	0.007	0.022	0.000	0.080	0.707	0.807	0.061	0.073	0.398	0.353	0.830	0.914	0.821
201	191	191	191	193	193	193	201	201	201	201	201	197	197	77	197	197	201
0.031	0.058	.186*	.294**	0.011	0.086	.372**	.505**	.282**	−0.042	.298**	−0.046	.439**	.150*	−0.006	0.001	−.184**	0.020
0.657	0.424	0.010	0.000	0.877	0.233	0.000	0.000	0.000	0.556	0.000	0.517	0.000	0.035	0.959	0.990	0.009	0.773
201	191	191	191	193	193	193	201	201	201	201	201	197	197	77	197	197	201
0.091	0.093	−0.025	0.032	0.057	−0.053	0.071	0.137	0.020	0.048	0.014	−0.090	0.027	−0.011	0.055	0.055	0.044	0.008
0.198	0.201	0.728	0.663	0.432	0.465	0.330	0.052	0.775	0.495	0.847	0.203	0.704	0.879	0.634	0.438	0.543	0.909
201	191	191	191	193	193	193	202	202	202	202	202	198	198	77	198	198	202
.189**	0.024	.394**	.412**	0.014	.234**	.530**	.965**	.404**	−.145*	.320**	0.111	.509**	0.006	0.195	0.045	−0.107	0.137
0.007	0.743	0.000	0.000	0.848	0.001	0.000	0.000	0.000	0.040	0.000	0.117	0.000	0.932	0.090	0.525	0.134	0.053
201	191	191	191	193	193	193	202	202	202	202	202	198	198	77	198	198	202
−0.062	−0.076	−0.070	0.098	−0.099	−0.077	0.106	.160*	0.127	−0.123	0.041	.276**	0.130	−0.008	−0.160	−0.025	−.289**	.343**
0.383	0.298	0.338	0.176	0.172	0.285	0.141	0.023	0.071	0.080	0.558	0.000	0.069	0.910	0.165	0.722	0.000	0.000
201	191	191	191	193	193	193	202	202	202	202	202	198	198	77	198	198	202
.198**	0.089	.392**	.304**	0.078	.279**	.401**	.764**	.279**	−0.004	.256**	−0.078	.358**	0.002	.308**	0.069	0.078	−0.072
0.005	0.221	0.000	0.000	0.283	0.000	0.000	0.000	0.000	0.960	0.000	0.272	0.000	0.982	0.006	0.335	0.276	0.309
201	191	191	191	193	193	193	202	202	202	202	202	198	198	77	198	198	202
−0.031	.194**	0.127	−0.111	0.118	.223**	−0.124	0.133	0.035	−0.006	0.011	.169*	0.072	−0.058	0.094	0.058	−0.083	.150*
0.660	0.007	0.079	0.125	0.104	0.002	0.085	0.060	0.625	0.930	0.882	0.016	0.316	0.422	0.417	0.422	0.249	0.034
201	191	191	191	193	193	193	201	201	201	201	201	197	197	77	197	197	201
−.145*	−0.133	.157*	.276**	−0.102	0.064	.267**	.290**	.164*	−0.108	0.100	−0.022	.193**	0.133	−0.081	−0.010	0.072	−.149*
0.041	0.067	0.030	0.000	0.159	0.379	0.000	0.000	0.020	0.126	0.159	0.755	0.007	0.063	0.485	0.884	0.313	0.035
201	191	191	191	193	193	193	201	201	201	201	201	197	197	77	197	197	201
−0.021	0.069	−0.016	−0.001	0.029	0.080	0.039	0.091	−0.065	−0.008	0.070	−0.045	0.052	−0.034	0.068	−0.105	−0.056	0.079
0.765	0.341	0.828	0.990	0.688	0.269	0.588	0.198	0.356	0.908	0.325	0.530	0.464	0.633	0.559	0.140	0.436	0.267
201	191	191	191	193	193	193	201	201	201	201	201	197	197	77	197	197	201
−.196**	0.088	.213**	.197**	0.137	0.017	.258**	.455**	.250**	−0.078	.211**	0.030	.275**	0.023	0.125	0.014	−0.034	0.006
0.005	0.225	0.003	0.006	0.058	0.819	0.000	0.000	0.000	0.272	0.003	0.674	0.000	0.752	0.280	0.847	0.634	0.936
201	191	191	191	193	193	193	201	201	201	201	201	197	197	77	197	197	201
0.107	−0.036	0.072	.185*	−0.069	0.108	.196**	.197**	0.112	0.046	0.097	0.050	0.126	−0.030	0.191	0.086	−0.089	.164*
0.132	0.621	0.320	0.010	0.337	0.135	0.006	0.005	0.113	0.518	0.170	0.479	0.078	0.677	0.096	0.232	0.211	0.020
201	191	191	191	193	193	193	201	201	201	201	201	197	197	77	197	197	201

(continued)

			Diploma or lower	First degree	Post-grad degree	Female	Male	Foreign	Suadi	Account-ing & Finance	Engi-neering	Com-puting & Science	Manage-ment & Busi-ness	Mar-keting & Eco-nomic	Law
Spearman's rho	Law	Correlation Coefficient	0.066	−0.045	.173*	0.095	0.135	0.035	0.038	−0.020	0.051	−0.108	−0.076	−0.020	1.000
		Sig. (2-tailed)	0.352	0.529	0.014	0.180	0.056	0.618	0.588	0.773	0.475	0.127	0.283	0.777	
		N	201	201	201	201	201	201	201	201	201	201	201	201	201
	Others	Correlation Coefficient	.310**	0.103	0.031	0.091	.189**	−0.062	.198**	−0.031	−.145*	−0.021	−.196**	0.107	0.007
		Sig. (2-tailed)	0.000	0.144	0.657	0.198	0.007	0.383	0.005	0.660	0.041	0.765	0.005	0.132	0.925
		N	201	201	201	201	201	201	201	201	201	201	201	201	201
	Age < 40 Y	Correlation Coefficient	0.067	0.011	0.058	0.093	0.024	−0.076	0.089	.194**	−0.133	0.069	0.088	−0.036	0.019
		Sig. (2-tailed)	0.359	0.884	0.424	0.201	0.743	0.298	0.221	0.007	0.067	0.341	0.225	0.621	0.792
		N	191	191	191	191	191	191	191	191	191	191	191	191	191
	Age (40 to 60 Y)	Correlation Coefficient	−0.065	.278**	.186*	−0.025	.394**	−0.070	.392**	0.127	.157*	−0.016	.213**	0.072	0.097
		Sig. (2-tailed)	0.373	0.000	0.010	0.728	0.000	0.338	0.000	0.079	0.030	0.828	0.003	0.320	0.180
		N	191	191	191	191	191	191	191	191	191	191	191	191	191
	Age > 60 Y	Correlation Coefficient	0.001	0.092	.294**	0.032	.412**	0.098	.304**	−0.111	.276**	−0.001	.197**	.185*	−0.045
		Sig. (2-tailed)	0.987	0.205	0.000	0.663	0.000	0.176	0.000	0.125	0.000	0.990	0.006	0.010	0.537
		N	191	191	191	191	191	191	191	191	191	191	191	191	191
	Experi-ence < 20 Y	Correlation Coefficient	0.022	0.056	0.011	0.057	0.014	−0.099	0.078	0.118	−0.102	0.029	0.137	−0.069	0.040
		Sig. (2-tailed)	0.766	0.440	0.877	0.432	0.848	0.172	0.283	0.104	0.159	0.688	0.058	0.337	0.582
		N	193	193	193	193	193	193	193	193	193	193	193	193	193
	Experi-ence (20 to 30 Y)	Correlation Coefficient	0.047	.194**	0.086	−0.053	.234**	−0.077	.279**	.223**	0.064	0.080	0.017	0.108	0.119
		Sig. (2-tailed)	0.518	0.007	0.233	0.465	0.001	0.285	0.000	0.002	0.379	0.269	0.819	0.135	0.098
		N	193	193	193	193	193	193	193	193	193	193	193	193	193
	Experi-ence 31 Y & >	Correlation Coefficient	−0.009	.165*	.372**	0.071	.530**	0.106	.401**	−0.124	.267**	0.039	.258**	.196**	−0.030
		Sig. (2-tailed)	0.906	0.022	0.000	0.330	0.000	0.141	0.000	0.085	0.000	0.588	0.000	0.006	0.678
		N	193	193	193	193	193	193	193	193	193	193	193	193	193
	Board Size	Correlation Coefficient	−0.008	.397**	.505**	0.137	.965**	.160*	.764**	0.133	.290**	0.091	.455**	.197**	.139*
		Sig. (2-tailed)	0.910	0.000	0.000	0.052	0.000	0.023	0.000	0.060	0.000	0.198	0.000	0.005	0.048
		N	201	201	201	202	202	202	202	201	201	201	201	201	201
	Foreign Owner-ship	Correlation Coefficient	−.164*	0.124	.282**	0.020	.404**	0.127	.279**	0.035	.164*	−0.065	.250**	0.112	−0.082
		Sig. (2-tailed)	0.020	0.080	0.000	0.775	0.000	0.071	0.000	0.625	0.020	0.356	0.000	0.113	0.249
		N	201	201	201	202	202	202	202	201	201	201	201	201	201
	Family Owner-ship	Correlation Coefficient	0.036	−0.027	−0.042	0.048	−.145*	−0.123	−0.004	−0.006	−0.108	−0.008	−0.078	0.046	0.000
		Sig. (2-tailed)	0.611	0.707	0.556	0.495	0.040	0.080	0.960	0.930	0.126	0.908	0.272	0.518	0.996
		N	201	201	201	202	202	202	202	201	201	201	201	201	201

Others	Age < 40 Y	Age (40 to 60 Y)	Age > 60 Y	Experience < 20 Y	Experience (20 to 30 Y)	Experience 31 Y & >	Board Size	Foreign Ownership	Family Ownership	Government Ownership	Companies Ownership	Firm Size	Leverage	ROE	ROA	Tobin's Q	IND
0.007	0.019	0.097	−0.045	0.040	0.119	−0.030	.139*	−0.082	0.000	0.025	−0.039	−0.013	0.035	−0.106	−0.130	0.130	−0.120
0.925	0.792	0.180	0.537	0.582	0.098	0.678	0.048	0.249	0.996	0.728	0.581	0.854	0.628	0.361	0.068	0.069	0.089
201	191	191	191	193	193	193	201	201	201	201	201	197	197	77	197	197	201
1.000	0.054	0.013	0.055	0.044	0.025	.151*	.191**	−0.049	0.073	−0.064	−0.055	−0.031	−0.024	−0.038	0.004	0.060	−0.021
	0.455	0.859	0.446	0.545	0.730	0.036	0.006	0.494	0.300	0.368	0.440	0.664	0.736	0.744	0.959	0.406	0.773
201	191	191	191	193	193	193	201	201	201	201	201	197	197	77	197	197	201
0.054	1.000	−.231**	−.224**	.775**	−0.047	−.353**	0.040	−0.079	−0.029	0.008	−0.009	−0.069	−0.033	.330**	0.052	0.115	0.014
0.455		0.001	0.002	0.000	0.518	0.000	0.580	0.280	0.689	0.915	0.900	0.346	0.654	0.004	0.475	0.115	0.845
191	191	191	191	190	190	190	191	191	191	191	191	188	188	76	188	188	191
0.013	−.231**	1.000	−.322**	−0.007	.593**	0.017	.369**	0.081	−0.052	0.086	0.050	.181*	0.122	0.096	0.050	0.039	−0.141
0.859	0.001		0.000	0.921	0.000	0.818	0.000	0.268	0.474	0.236	0.495	0.013	0.095	0.410	0.499	0.591	0.052
191	191	191	191	190	190	190	191	191	191	191	191	188	188	76	188	188	191
0.055	−.224**	−.322**	1.000	−.379**	−.284**	.779**	.422**	.276**	−0.068	.174*	0.100	.367**	−0.069	−0.043	−0.003	−.156*	0.130
0.446	0.002	0.000		0.000	0.000	0.000	0.000	0.000	0.352	0.016	0.168	0.000	0.346	0.712	0.965	0.033	0.073
191	191	191	191	190	190	190	191	191	191	191	191	188	188	76	188	188	191
0.044	.775**	−0.007	−.379**	1.000	−0.112	−.481**	0.023	−0.064	0.009	−0.032	−0.088	−0.130	0.047	.262*	0.006	.187*	−0.095
0.545	0.000	0.921	0.000		0.121	0.000	0.755	0.377	0.898	0.657	0.226	0.075	0.521	0.022	0.935	0.010	0.187
193	190	190	190	193	193	193	193	193	193	193	193	189	189	76	189	189	193
0.025	−0.047	.593**	−.284**	−0.112	1.000	−.272**	.201**	0.006	0.004	0.059	0.014	0.074	0.027	0.056	0.023	−0.017	−0.004
0.730	0.518	0.000	0.000	0.121		0.000	0.005	0.934	0.960	0.416	0.847	0.309	0.710	0.630	0.754	0.816	0.960
193	190	190	190	193	193	193	193	193	193	193	193	189	189	76	189	189	193
.151*	−.353**	0.017	.779**	−.481**	−.272**	1.000	.545**	.309*	−0.029	.216**	0.099	.443**	−0.048	−0.022	0.025	−.172*	0.120
0.036	0.000	0.818	0.000	0.000	0.000		0.000	0.000	0.686	0.003	0.171	0.000	0.515	0.851	0.731	0.018	0.097
193	190	190	190	193	193	193	193	193	193	193	193	189	189	76	189	189	193
.191**	0.040	.369**	.422**	0.023	.201**	.545**	1.000	.409**	−0.117	.318**	0.084	.513**	−0.002	0.194	0.043	−0.097	0.134
0.006	0.580	0.000	0.000	0.755	0.005	0.000		0.000	0.097	0.000	0.234	0.000	0.978	0.090	0.546	0.175	0.057
201	191	191	191	193	193	193	202	202	202	202	202	198	198	77	198	198	202
−0.049	−0.079	0.081	.276**	−0.064	0.006	.309**	.409**	1.000	−.210**	.225**	−0.013	.505**	0.006	0.126	.178*	−.219**	.222**
0.494	0.280	0.268	0.000	0.377	0.934	0.000	0.000		0.003	0.001	0.850	0.000	0.936	0.274	0.012	0.002	0.001
201	191	191	191	193	193	193	202	202	202	202	202	198	198	77	198	198	202
0.073	−0.029	−0.052	−0.068	0.009	0.004	−0.029	−0.117	−.210**	1.000	−0.081	−0.082	−0.031	.151*	−0.014	.156*	0.134	−.229**
0.300	0.689	0.474	0.352	0.898	0.960	0.686	0.097	0.003		0.250	0.245	0.669	0.034	0.906	0.028	0.061	0.001
201	191	191	191	193	193	193	202	202	202	202	202	198	198	77	198	198	202

(continued)

			Diploma or lower	First degree	Post-grad degree	Female	Male	Foreign	Suadi	Accounting & Finance	Engineering	Computing & Science	Management & Business	Marketing & Economic	Law
Spearman's rho	Government Ownership	Correlation Coefficient	−0.067	0.017	.298**	0.014	.320**	0.041	.256**	0.011	0.100	0.070	.211**	0.097	0.025
		Sig. (2-tailed)	0.343	0.807	0.000	0.847	0.000	0.558	0.000	0.882	0.159	0.325	0.003	0.170	0.728
		N	201	201	201	202	202	202	202	201	201	201	201	201	201
	Companies Ownership	Correlation Coefficient	0.014	0.133	−0.046	−0.090	0.111	.276**	−0.078	.169*	−0.022	−0.045	0.030	0.050	−0.039
		Sig. (2-tailed)	0.841	0.061	0.517	0.203	0.117	0.000	0.272	0.016	0.755	0.530	0.674	0.479	0.581
		N	201	201	201	202	202	202	202	201	201	201	201	201	201
	Firm Size	Correlation Coefficient	−.154*	0.128	.439**	0.027	.509**	0.130	.358**	0.072	.193**	0.052	.275**	0.126	−0.013
		Sig. (2-tailed)	0.030	0.073	0.000	0.704	0.000	0.069	0.000	0.316	0.007	0.464	0.000	0.078	0.854
		N	197	197	197	198	198	198	198	197	197	197	197	197	197
	Leverage	Correlation Coefficient	−0.043	−0.061	.150*	−0.011	0.006	−0.008	0.002	−0.058	0.133	−0.034	0.023	−0.030	0.035
		Sig. (2-tailed)	0.552	0.398	0.035	0.879	0.932	0.910	0.982	0.422	0.063	0.633	0.752	0.677	0.628
		N	197	197	197	198	198	198	198	197	197	197	197	197	197
	ROE	Correlation Coefficient	0.184	0.107	−0.006	0.055	0.195	−0.160	.308**	0.094	−0.081	0.068	0.125	0.191	−0.106
		Sig. (2-tailed)	0.109	0.353	0.959	0.634	0.090	0.165	0.006	0.417	0.485	0.559	0.280	0.096	0.361
		N	77	77	77	77	77	77	77	77	77	77	77	77	77
	ROA	Correlation Coefficient	0.025	0.015	0.001	0.055	0.045	−0.025	0.069	0.058	−0.010	−0.105	0.014	0.086	−0.130
		Sig. (2-tailed)	0.727	0.830	0.990	0.438	0.525	0.722	0.335	0.422	0.884	0.140	0.847	0.232	0.068
		N	197	197	197	198	198	198	198	197	197	197	197	197	197
	Tobin's Q	Correlation Coefficient	.213**	0.008	−.184**	0.044	####	−.289**	0.078	−0.083	0.072	−0.056	−0.034	−0.089	0.130
		Sig. (2-tailed)	0.003	0.914	0.009	0.543	0.134	0.000	0.276	0.249	0.313	0.436	0.634	0.211	0.069
		N	197	197	197	198	198	198	198	197	197	197	197	197	197
	IND	Correlation Coefficient	−0.081	0.016	0.020	0.008	0.137	.343**	−0.072	.150*	−.149*	0.079	0.006	.164*	−0.120
		Sig. (2-tailed)	0.253	0.821	0.773	0.909	0.053	0.000	0.309	0.034	0.035	0.267	0.936	0.020	0.089
		N	201	201	201	202	202	202	202	201	201	201	201	201	201

*Correlation is significant at the 0.05 level (2-tailed).

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

Others	Age < 40 Y	Age (40 to 60 Y)	Age > 60 Y	Experience < 20 Y	Experience (20 to 30 Y)	Experience 31 Y & >	Board Size	Foreign Ownership	Family Ownership	Government Ownership	Companies Ownership	Firm Size	Leverage	ROE	ROA	Tobin's Q	IND
−0.064	0.008	0.086	.174*	−0.032	0.059	.216**	.318**	.225**	−0.081	1.000	−.223**	.456**	0.046	0.110	0.124	−0.095	−0.016
0.368	0.915	0.236	0.016	0.657	0.416	0.003	0.000	0.001	0.250		0.001	0.000	0.518	0.341	0.082	0.183	0.822
201	191	191	191	193	193	193	202	202	202	202	202	198	198	77	198	198	202
−0.055	−0.009	0.050	0.100	−0.088	0.014	0.099	0.084	−0.013	−0.082	−.223**	1.000	0.042	0.006	0.208	0.088	−0.085	.174*
0.440	0.900	0.495	0.168	0.226	0.847	0.171	0.234	0.850	0.245	0.001		0.555	0.934	0.070	0.218	0.236	0.013
201	191	191	191	193	193	193	202	202	202	202	202	198	198	77	198	198	202
−0.031	−0.069	.181*	.367**	−0.130	0.074	.443**	.513**	.505**	−0.031	.456**	0.042	1.000	.258**	−0.004	.153*	−.457**	0.074
0.664	0.346	0.013	0.000	0.075	0.309	0.000	0.000	0.000	0.669	0.000	0.555		0.000	0.973	0.032	0.000	0.298
197	188	188	188	189	189	189	198	198	198	198	198	198	198	77	198	198	198
−0.024	−0.033	0.122	−0.069	0.047	0.027	−0.048	−0.002	0.006	.151*	0.046	0.006	.258**	1.000	−0.210	0.041	−0.003	−.534**
0.736	0.654	0.095	0.346	0.521	0.710	0.515	0.978	0.936	0.034	0.518	0.934	0.000		0.066	0.567	0.966	0.000
197	188	188	188	189	189	189	198	198	198	198	198	198	198	77	198	198	198
−0.038	.330**	0.096	−0.043	.262*	0.056	−0.022	0.194	0.126	−0.014	0.110	0.208	−0.004	−0.210	1.000	.820**	.400**	0.149
0.744	0.004	0.410	0.712	0.022	0.630	0.851	0.090	0.274	0.906	0.341	0.070	0.973	0.066		0.000	0.000	0.196
77	76	76	76	76	76	76	77	77	77	77	77	77	77	77	77	77	77
0.004	0.052	0.050	−0.003	0.006	0.023	0.025	0.043	.178*	.156*	0.124	0.088	.153*	0.041	.820**	1.000	.218**	−0.066
0.959	0.475	0.499	0.965	0.935	0.754	0.731	0.546	0.012	0.028	0.082	0.218	0.032	0.567	0.000		0.002	0.357
197	188	188	188	189	189	189	198	198	198	198	198	198	198	77	198	198	198
0.060	0.115	0.039	−.156*	.187*	−0.017	−.172*	−0.097	−.219**	0.134	−0.095	−0.085	−.457**	−0.003	.400**	.218**	1.000	−.491**
0.406	0.115	0.591	0.033	0.010	0.816	0.018	0.175	0.002	0.061	0.183	0.236	0.000	0.966	0.000	0.002		0.000
197	188	188	188	189	189	189	198	198	198	198	198	198	198	77	198	198	198
−0.021	0.014	−0.141	0.130	−0.095	−0.004	0.120	0.134	.222**	−.229**	−0.016	.174*	0.074	−.534**	0.149	−0.066	−.491**	1.000
0.773	0.845	0.052	0.073	0.187	0.960	0.097	0.057	0.001	0.001	0.822	0.013	0.298	0.000	0.196	0.357	0.000	
201	191	191	191	193	193	193	202	202	202	202	202	198	198	77	198	198	202

List of Abbreviations

A dummy variable signifying whether the company is financial or not	IND
Board Member	BM
Capital Market Authority	CMA
Chief Executive Officer	CEO
Chief Financial Officer	CFO
Corporate Governance	CG
Corporate Governance Code	CGC
Corporate Social Responsibility	CSR
Education Background	EB
Education Level	EL
External Stakeholders	ExStak
Financial Reporting Council	FRC
Financial Sector Development Program	FSDP
Grounded Theory	GT
Guidance on Board Effectiveness	GBE
Gulf Cooperation Council	GCC
Human Resources	HR
Internal Stakeholders	InStak
Nomination and Remuneration Committee	NARC
Organisation for Economic Co-operation and Development	OECD
Organization of the Petroleum Exporting Countries	OPEC
Ownership Structures	OS
Resource Dependency Theory	RDT
Saudi Arabian Monetary Agency	SAMA
Social Capital Theory	SCT
Statistical Package for Social Sciences	SPSS
Sustainable Development Goals	SDGs
The Middle East and North Africa	MENA
United Nations	UN
Women on Boards	WOBs

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