BOARD CHARACTERSTICS AND FIRM PERFORMANCE:

CASE OF SAUDI ARABIA

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DECLARATION

I certify that the substance of this thesis has never been submitted for any degree and is not currently being submitted for any other qualifications.

I certify that any assistance received in preparing this thesis and all sources used have been acknowledged in this thesis.

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Abstract:

Corporate governance (CG) has been a topic of hot discussion not only in business world but also in academic world. This is all due to its complex and scandalous nature. Therefore it is always important to shed some light academically and perform analysis and autopsy on corporate governance failures such as Commerce Bank (1991) Enron (2001), Adelphia (2002), and World Com (2002).

This study investigates the relationship between the board characteristics (board size, board composition, board meeting, board interlock, CEO age and CEO family) and firm performance (ROA) based on the annual reports of 102 companies listed on the Saudi Market starting from 2010 to 2012. The sample of non-financial firms was collected from Saudi Market (Tadawul) as well as from the director's profile in the annual reports.

The results of this study find that board meeting, board interlock and CEO age have no effect on firm performance in the selected sample while board size has strong positive relationship with firm performance (ROA). In addition, it is also noteworthy to note that the relationship between board composition and CEO family is significant negatively. It is recommended that future research take into consideration the investigation of relationship between corporate governance before issuing the Code of Corporate Governance in Saudi Arabia and after issuing them in order to investigate the differences during longer period.

Keywords: corporate governance, Saudi Arabia, Code on Corporate Governance, firm performance, board characteristics.

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Sincerely,

Mohammad Abdel Ghani Al Damrat

Table of Contents

List of Tables

List of Figures

CHAPTER ONE

INTRODUCTION

1.1 Background

Corporate governance (CG) has been a topic of interest all around the world especially in academic circles when some of the corporate scandals and failures came to limelight such as Commerce Bank (1991), Enron (2001), Adelphia (2002) and World Com (2002). Therefore it has been the time of need that corporations had to adopt new business policies and technologies to ensure transparency and accountability. In return this will help attracting investors and capital funds will also help offer financial stability with economic prosperity. No matter how many measures and cautions are taken today's business still operate in competitive and risky environs.

In developed economies there is an academic debate and lot of literature available on the issues pertaining to gap between good and bad corporate governance mechanisms (Shleifer & Vishny, 1997). In order to reduce corporate complexities and minimize corporate governance failure there are many international bodies have been formed for example International Corporate Governance Network (ICGN) and the Organization for Economic Cooperation and Development (OECD). According to report "Principles of Corporate Governance" issued by the OECD issued in 1998 and 2004, corporate governance should focus on the performance of long-term business

The contents of the thesis is for internal user only

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